Torres Rojas, Genara

FOI#13203

From: talbanese@seaburygroup.com
Sent: Friday, June 01, 2012 7:59 PM
To: Duffy, Daniel
Cc: Torres Rojas, Genara; Van Duyne, Sheree
Subject: Freedom of Information Online Request Form

Information:

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Last Name: Albanese
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Required copies of the records: Yes

List of specific record(s):
Please provide me with all of the current airline leases for JFK Airport or their respective lease agreements with the terminals. Example: AMR, Jet Blue, Southwest, United, US Airways... etc.

THE PORT AUTHORITY OF NY & NJ

FOI Administrator

August 16, 2013

Mr. Thomas Albanese
Seabury Group
1350 Avenue of the Americas, 25th Floor
New York, NY 10019

Re: Freedom of Information Reference No. 13203

Dear Mr. Albanese:

This is a response to your May 23, 2012 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code") for copies of the current airlines leases for JFK or their respective lease agreements with the terminal.

Material responsive to your request and available under the Code can be found on the Port Authority's website at http://www.panynj.gov/corporate-information/foi/13203-LPA-1.pdf http://www.panynj.gov/corporate-information/foi/13203-LPA-2.pdf, http://www.panynj.gov/corporate-information/foi/13203-LPA-3.pdf, and http://www.panynj.gov/corporate-information/foi/13203-LPA-4.pdf Paper copies of the available records are available upon request.

Certain material responsive to your request is exempt from disclosure pursuant to exemptions (1), (2.a.) and (4) of the Code.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,

Daniel D. Duffy
FOI Administrator

225 Park Avenue South, 17th Floor
New York, NY 10003
T: 212 435 3642
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AMENDED AND RESTATED
LEASE AYB-085R

JOHN F. KENNEDY INTERNATIONAL AIRPORT

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY

AND

AMERICAN AIRLINES, INC.
(The Lessee)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Unit Terminal

LEASE AYB-085R

AMERICAN AIRLINES, INC.
BUILDINGS 56 AND 57 – TERMINALS 8 AND 9

FULLY EXECUTED LEASE AMENDED AND RESTATED

AMERICAN AIRLINES, INC.
LEASE AYB-085R

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THIS AGREEMENT SHALL NOT BE BINDING UPON
THE PORT AUTHORITY UNTIL DULY EXECUTED BY
AN EXECUTIVE OFFICER THEREOF AND DELIVERED
TO THE LESSEE BY AN AUTHORIZED
REPRESENTATIVE OF THE PORT AUTHORITY

Port Authority Lease No. AYB-085R

AMENDED AND RESTATED AGREEMENT OF LEASE

THIS AMENDED AND RESTATED AGREEMENT OF LEASE, made as of the 22nd day of December, 2000 (which date is hereinafter called the "Effective Date") by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority"), a body corporate and politic, established by Compact between the States of New Jersey and New York with the consent of the Congress of the United States of America, and having an office at One World Trade Center, in the Borough of Manhattan, City, County and State of New York, and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee"), a corporation of the State of Delaware with an office and place of business at MD 5317, 4333 Amon Carter Blvd., Fort Worth, Texas 76155 whose representative is its Vice President, Corporate Real Estate.

WITNESSETH, That:

WHEREAS, pursuant to Lease AYB-085 the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as described in Lease AYB-085; and

WHEREAS, the Port Authority and the Lessee desire to amend and supplement Lease AYB-085 as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the rents, covenants and mutual agreements hereinafter contained, the Port Authority and the Lessee hereby agree effective as of the dates hereinafter set forth that Lease AYB-085 shall be amended and supplemented as set forth in Section 2B(p) and Section 59(j) below and that from and after the Effective Date Lease AYB-085 shall be amended and supplemented to read as set forth in and in accordance with this Amended and Restated Agreement of Lease as follows:

Section 1. Letting

(a) Without limiting or affecting the letting of the Lease AYB-085 Premises by the Port Authority to the Lessee and the hiring and taking thereof by the Lessee from the Port Authority under Lease AYB-085, the Port Authority hereby acknowledges that it has heretofore let to the Lessee the Lease AYB-085 Premises pursuant to Lease AYB-085 and hereby agrees and restates that it continues to let the Lease AYB-085 Premises to the Lessee pursuant to the same letting thereof which commenced under Lease AYB-085 (without creating a new estate or other new interest in the Lease AYB-085 Premises) pursuant to and in accordance with the Lease and the Lessee hereby acknowledges that it has heretofore hired and taken the Lease AYB-085 Premises from the Port Authority pursuant to Lease AYB-085 and hereby agrees and restates that it continues to hire and take from the Port Authority the Lease AYB-085 Premises pursuant to and in accordance with the Lease.

(b) Effective at 12:01 o'clock A.M. on the Effective Date in addition to the Lease AYB-085 Premises heretofore let to the Lessee under the Lease, the letting of which shall continue in full force and effect, the Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority upon all the terms, provisions, conditions and agreements of this Lease at the Airport in the County of Queens, City and State of New York the land shown in stippled-diagonal hatching on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 1.1" (which exhibit is hereinafter called "Exhibit 1.1" and which land is hereinafter referred to as the "Additional Premises"), together with the fixtures, improvements and other property of the Port Authority located or to be located therein, thereunder or thereon, and all structures, improvements, additions, buildings and facilities, located, constructed or installed or to be located, constructed or installed therein, thereunder or thereon, all of the foregoing to be and become a part of the Premises let under this Lease, subject to all of the terms, provisions, covenants and conditions of this Lease, for and during the balance of the term of the letting under this Lease subject to earlier termination as provided in this Lease.

(c) (1) Effective at 12:01 o'clock A.M. on the Effective Date (which date and hour are hereinafter in this paragraph collectively called the "Surrender Date") the Lessee has granted, bargained, sold, surrendered and yielded up and does by these presents grant, bargain, sell, surrender and yield up unto the Port Authority, its successors and assigns, forever, those portions of the Lease AYB-085 Premises shown in crosshatching on Exhibit 1.1 (such portions of the Premises being hereinafter called the "Surrendered Premises") and the term of years with respect thereto under the Lease yet to come and has given, granted, surrendered and by these presents does give, grant and surrender to the Port Authority, its successors and assigns, all the rights, rights of renewal, licenses, privileges and options of the Lessee granted by the Lease with respect to the Surrendered Premises, all to the intent and purpose that the said term under the Lease and the said rights of renewal, licenses, privileges and options may be wholly merged, extinguished and determined on the Surrender Date, with the same force and effect as if the said term were in and by the provisions of the Lease originally fixed to expire on the the Surrender Date, but the Lease and the letting thereunder shall continue in full force and effect as to the

remainder of the Premises under the Lease and in accordance with all the terms and provisions thereof.

TO HAVE AND TO HOLD the same unto the Port Authority, its successors and assigns forever.

(2) The Lessee hereby covenants on behalf of itself, its successors and assigns that (a) it has not done or suffered and will not do or suffer anything whereby the Surrendered Premises or the Lessee's leasehold therein, has been or shall be encumbered as of the the Surrender Date in any way whatsoever; (b) the Lessee is and will remain until the Surrender Date the sole and absolute owner of the leasehold estate in the Surrendered Premises and of the rights, rights of renewal, licenses, privileges and options granted by the Lease with respect thereto and that the same are and will remain until the Surrender Date free and clear of all liens and encumbrances of whatsoever nature; and (c) the Lessee has full right and power to make this Agreement.

(3) All promises, covenants, agreements and obligations of the Lessee with respect to the Surrendered Premises which under the provisions thereof would have matured upon the date originally fixed in the Lease for the expiration of the term thereof, or upon the termination of the Lease prior to the said date, or within a stated period after expiration or termination shall, notwithstanding such provisions, mature upon the Surrender Date and shall survive the execution and delivery of this Amended and Restated Agreement of Lease.

(4) The Lessee has released and discharged and does by these presents release and discharge the Port Authority from any and all obligations of every kind, past, present or future on the part of the Port Authority to be performed under the Lease with respect to the Surrendered Premises. The Port Authority does by these presents release and discharge the Lessee from any and all obligations on the part of the Lessee to be performed under the Lease with respect to the Surrendered Premises for that portion of the term subsequent to the Surrender Date; it being understood that nothing herein contained shall release, relieve or discharge the Lessee from any liability for rentals or for other charges that may be due or become due to the Port Authority for any period or periods prior to the Surrender Date, or for breach of any other obligation on the Lessee's part to be performed under the Lease for or during such period or periods or maturing pursuant to the foregoing paragraph, nor shall anything herein be deemed to release the Lessee from any liability for rentals or other charges that may be due or become due to the Port Authority for any other portion of the Premises or for breach of any other obligation on the Lessee's part to be performed under the Lease.

(d) Except to the extent required for the performance of any of the obligations of the Lessee hereunder nothing contained in this Agreement shall grant to the Lessee any rights whatsoever in the air space above the Premises in excess of the height elevation limitations

described in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 1.2".

(e) The parties acknowledge that the Premises constitute non-residential real property.

(f) The parties acknowledge and agree that prior to the Effective Date the Lease shall read as set forth in Lease AYB-085, including without limitation as amended and supplemented by this Amended and Restated Agreement of Lease pursuant to Sections 2B and 59 hereof effective as of the dates set forth therein and that from and after the Effective Date the Lease shall be amended and supplemented to read as set forth in this Amended and Restated Agreement of Lease. Further, it is hereby understood and agreed that, except as set forth in Sections 2B and 59 hereof, neither this Amended and Restated Agreement of Lease nor the execution thereof by the parties hereto shall affect or otherwise alter or change or be deemed to have affected or otherwise altered or changed any of the terms, covenants, provisions and agreements of Lease AYB-085 or the effectiveness thereof prior to the Effective Date nor have relieved or released the Lessee from any of its obligations under Lease AYB-085 and all the provisions, terms, covenants and conditions of Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease shall remain in full force and effect.

(g) The Port Authority has not made and continues not to make any representation as to title to any of the trade fixtures or other property in the Lease AYB-085 Premises including, without limitation, passenger loading bridges and baggage conveyor systems and carrousels, or as to the right of the Lessee to possess or use the same. The matter of title and related issues as to the foregoing specified items have been and may be presently in dispute, claims having been asserted as to one or more of said items by United Airlines, Inc. and Northwest Airlines, Inc. and the Port Authority shall have no liability or obligation to the Lessee with respect to such or other claims or potential claims, the resolution thereof or subject property. Use or possession thereof by the Lessee shall be at the risk of the Lessee and the Lessee shall indemnify and save harmless the Port Authority from any claim or liability arising as a result of such use or possession. The obligations of the Lessee and the rights and discretion of the Port Authority under the Lease shall not be diminished or otherwise affected by reason of any such claim whatsoever or the result of any prosecution thereof by any claimant.

(h) The parties hereto acknowledge on January 1, 1993, Persons other than the Lessee were in use and occupancy of portions of the Lease AYB-085 Premises (such Persons being hereinafter called the "Subusers"). The Lessee hereby acknowledges that it agreed to take such portions of the Lease AYB-085 Premises as encumbered by the occupancy and use of the Subusers. It is agreed that the Lessee is the landlord of the Subusers and has and shall continue to have all the rights, responsibilities, obligations, and liabilities with respect thereto. Further, the Port Authority has heretofore pursuant to Lease AYB-085 assigned to the Lessee and hereby restates its assignment to the Lessee all of its rights, if any, as landlord of the Subusers, including

without limitation the right to terminate the rights of the Subusers with respect to the Premises and to eject or otherwise remove the Subusers from the Premises.

(i) It is recognized that the Lessee has entered into various agreements with subtenants, licensees and other Persons covering the occupancy of the space or providing for the furnishing of services in the Premises pursuant to the provisions of the Surrendered Lease and Lease AYB-085 and that the Port Authority has approved or consented to the same, all of the foregoing as to which Port Authority approval or consent has been given and which consents continue in full force and effect, being hereinafter called the "Lessee's Use Agreements". The Port Authority has no objection to the continuance in effect under the Lease of all of the Lessee's Use Agreements.

Section 2. Construction by the Lessee

It is hereby agreed that all the terms and conditions of Section 2 of Lease AYB-085 are hereby incorporated by reference and shall have the same force and effect as if set forth in this Amended and Restated Agreement of Lease in full, provided, however, it is hereby agreed and understood that from and after the Effective Date as defined in this Amended and Restated Agreement that notwithstanding the foregoing and the terms and conditions of said Section 2 the Lessee shall have no obligation or right to perform the construction work as defined in said Section 2 but that all the terms and conditions of said Section 2, including without limitation those pertaining to indemnification, assumption of risks and insurance, shall remain in full force and effect with respect to the construction work which has been performed by the Lessee prior to the Effective Date. Further, it is hereby understood and agreed that all of the terms and conditions of said Section 2, including without limitation the defined terms therein, shall be read, construed and interpreted in accordance with Lease AYB-085.

Section 2A. Additional Construction by the Lessee

It is hereby agreed that all the terms and conditions of Section 2A of Lease AYB-085 are hereby incorporated by reference and shall have the same force and effect as if set forth in this Amended and Restated Agreement of Lease in full, provided, however, it is hereby agreed and understood that from and after the Effective Date as defined in this Amended and Restated Agreement that notwithstanding the foregoing and the terms and conditions of said Section 2A the Lessee shall have no obligation or right to perform the additional construction work as defined in said Section 2A but that all the terms and conditions of said Section 2A, including without limitation those pertaining to indemnification, assumption of risks and insurance, shall remain in full force and effect with respect to the additional construction work which has been performed by the Lessee prior to the Effective Date. Further, it is hereby understood and agreed that all of the terms and conditions of said Section 2A, including without limitation the defined terms therein, shall be read, construed and interpreted in accordance with Lease AYB-085.

Section 2B. Redevelopment of the Premises and Performance of the ACO Work by the Lessee

(a) Lessee's Comprehensive Plan for the Redevelopment Work

(1) The Lessee shall, prior to its submission to the Port Authority of the plans and specifications for the Redevelopment Work, as hereinafter provided for and defined, submit to the Port Authority for its consent, the Lessee's comprehensive plan for the redevelopment of the Premises, including but not limited to renderings, layouts, locations, models, estimated commencement, milestone and completion dates, staging plans and preliminary functional plans for both the Passenger Terminal Work and Off-Premises Work as hereinafter defined; said comprehensive plan as approved by the Port Authority shall constitute the Lessee's "Comprehensive Plan" hereunder. The Lessee shall keep the Comprehensive Plan up to date and shall submit to the Port Authority for its approval all amendments, supplements or modifications thereto, which amendments, supplements or modifications shall not become effective until the same have been approved by the Port Authority.

(2) Without limiting the foregoing, the Lessee agrees that said Comprehensive Plan shall include the construction on and under the Premises of:

(i) A three (3) level main passenger terminal building (hereinafter called the "Main Terminal") and a two (2) level remote passenger terminal building (hereinafter called the "Remote Terminal") consisting of approximately 1.9 million total square feet of floor space for both buildings and all associated and related areas and facilities, including but not limited to, stairwells, stairways, escalators, elevators, and United States government inspection areas (as described in Section 74 hereof entitled "Federal Inspection");

(ii) Not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, together with all associated and related areas and facilities including without limitation passenger boarding gate lounges;

(iii) All appropriate work for the construction of general utility and mechanical equipment rooms and spaces and crawl spaces within the Main Terminal and the Remote Terminal;

(iv) All appropriate work for the construction of the Concession Areas to be made available for consumer services as more fully described and set forth in Sections 79 through 89 hereof including without limitation the construction and installation of utility lines which are to serve the said Concession Areas;

(v) The construction and installation of all appropriate utility lines, pipes, mains, drains, cables, manholes, wires, conduits and other facilities required in connection with or relating to the mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection and other systems and facilities and including all necessary relocations, and all work necessary or required to tie the foregoing into existing access stubs, including but not limited to, all necessary valves, pipes, materials, lift stations, pumps and other equipment and accessories necessary to the use and operation of the heating, cooling, electrical, water, communications, and other utility systems which are to serve the Premises;

(vi) Subject to and in accordance with paragraph (q) of this Section, the construction and installation of additions and modifications to and the relocation of the underground fuel system including but not limited to additions and modifications to and relocation of the Distribution Portion of the System and of the Airline Terminal Portion of the System located within the Premises (as such terms are defined in Section 4.021 of the General Airport Agreement) and underground pipelines, fuel mains and stubs necessary or required to tie into the Distribution Portion of the System at the Airport to accommodate and serve the Premises and all aircraft gate positions located or to be located at the Premises together with all relocations, additions and modifications to the Distribution Portion of the System at the Airport;

(vii) (aa) To the extent permitted by KIAC, all work necessary or required to construct lateral mains to tie into the Central Terminal Area ring supply lines for hot water for heating and domestic use purposes only and chilled water for air conditioning purposes only, in accordance with the requirements and specifications as set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements", provided, however, if KIAC does not so permit such work to be performed by the Lessee, such work shall be performed by KIAC or KIAC's contractors, as determined by KIAC, at the sole cost and expense of the Lessee;

(bb) The work specified in subparagraph (2)(vii)(aa) above, upon completion, will become a part of the Thermal Distribution System at the Airport and will become the property of the Port Authority or its designee and will not be part of the Premises;

(viii) All upper level and lower level roadways and all other necessary or appropriate ground and elevated roadways, ramps, sidewalks, vehicular service areas, vehicular staging areas and pedestrian circulation areas, together with all related and associated areas and facilities (the foregoing being herein sometimes called the "Premises Circulation Facilities");

(ix) All necessary or appropriate aircraft ramp and apron areas;

(x) All grading and paving of ground areas and appropriate landscaping together with all related and associated work including without limitation decorative paving of selected areas and landscaping and irrigation of unpaved areas;

(xi) The demolition of Building Nos. 56 and 57 and all other demolition and removal associated with the Redevelopment Work in accordance with applicable law, including without limitation all applicable Environmental Requirements, the foregoing to include without limitation all appropriate, required or necessary removal of all asbestos, lead and other Hazardous Substances and the handling, transporting and off-Airport disposal thereof (including, if required, disposal of asbestos in an off-Airport long-term asbestos-only disposal facility);

(xii) All taxiway access stubs, taxilanes and associated and related areas and facilities;

(xiii) The repair, restoration and reinstallation of all of the art fence entitled "Traveling by Air" located or formerly located on the Premises and the commissioning and installation of such additional art fencing at such locations identified by the Port Authority and in accordance with specifications to be provided by the Port Authority, and the installation of all necessary or required blast fences and other fencing including functional decorative fencing at locations identified by the Port Authority;

(xiv) All necessary or required work to conform to Port Authority frontage control requirements;

(xv) All necessary or required work to conform to Port Authority requirements for access to public parking areas including static and dynamic sign systems and traffic lights and other traffic control devices and systems as specified and required by the Port Authority;

(xvi) All necessary and required work to replace or relocate existing taxi dispatch booths (including without limitation telephones and radio transceiver and transponder receiving devices and other vehicle tracking and monitoring devices) and bus shelters at such locations as may be determined by the Port Authority with taxi dispatch booths and bus shelters of equal quality, features and amenities and to provide such additional like taxi dispatch booths and bus shelters as may be required to adequately serve the Premises;

(xvii) All of the following work required by or in connection with

the AirTrain:

(aa) All external Premises Circulation Facilities except for any elevated pedestrian connector; and

(bb) All interior vertical circulation areas, facilities and systems, including without limitation, escalators, elevators, stairs and passageways; and

(cc) All work to connect, extend, integrate, support and accept the AirTrain elevated pedestrian connector constructed by the Port Authority in consultation with the Lessee as provided in Section 62(f) hereof to the Main Terminal, including without limitation making the connection and integration water tight;

(xiii) All necessary and required work to provide canopies over all pedestrian waiting and crossing areas on the Premises, including without limitation, all ground transportation waiting, loading and unloading areas;

(xix) All necessary and required work to accommodate counter spaces for Ground Transportation Operators for use in accordance with Section 71 hereof entitled "Ground Transportation Services" at such locations as may be specified by the Port Authority as may reasonably be required for use as Consolidated Counters; and

(xx) All other appropriate or necessary work in connection with the foregoing clauses, including without limitation thereto, all borings, surveys, route marker signs, obstruction lights and material inspections and testing and also including all other tie-ins, temporary and otherwise, to utility lines and roadway access stubs.

All of the foregoing work set forth in this paragraph (a)(2) shall be constructed by the Lessee on the Premises and off the Premises where required and when constructed on the Premises shall be and become a part of the Premises under the Lease. All of the foregoing work and any other work which the Lessee includes in its comprehensive plan and which is consented to by the Port Authority and is to be constructed by the Lessee on the Premises (and off the Premises where required) is sometimes herein collectively referred to as the "Passenger Terminal Work."

(3) In addition to all the hereinabove mentioned, the Lessee shall include as part of the comprehensive plan submitted in accordance with paragraph (a)(1) hereof the construction of the following work which construction, however, shall not be part of the Premises under this Agreement. Said work shall include:

(i) New roadways and new Airport roads and all associated and related extensions, widenings, relocations and rehabilitation of existing Airport roads on the area shown in the shaded area on the exhibit attached hereto, hereby make a part hereof and marked "Exhibit 2B.1" (which exhibit is hereinafter called "Exhibit 2B.1" and which area is hereinafter called "Area 1") to provide recirculation roadways to the existing parking lot and the proposed new Parking Garage (as defined in Section 90 hereof) and to widen the turning radius in the area shown in stipple on Exhibit 2B.1 and to connect to certain portions of the Premises Circulation Facilities, all of the foregoing to include, without limitation, all necessary or appropriate, ramps, sidewalks and other areas and facilities related to or associated therewith, such as but not limited to, all appropriate ground lighting, lines, pipes, drains, wires, cables, manholes and conduits and other facilities and structures, all landscaping improvements and the maintenance of temporary roads and signage; all of the foregoing being sometimes hereinafter collectively called the "Off-Premises Roads";

(ii) Relocation to a location as the Port Authority may reasonably designate of all or any utility lines, pipes, mains, drains, manholes, wires, cables, conduits and other facilities located on or under the Premises or Area 1 where the Redevelopment Work is or is to be performed or for which currently or in the future the operation, maintenance, replacement or repair thereof are or maybe affected by the Redevelopment Work or the performance thereof and are required to provide utility services to the other Central Terminal Area facilities, the foregoing to include without limitation mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection and other systems and facilities including, but not limited to, all necessary valves, pipes, materials, lift stations, pumps and other equipment and accessories, provided, however, it is understood that the obligations of the Lessee under this subparagraph (3)(ii) shall terminate on the Redevelopment Work Completion Date;

(iii) The construction and installation of all appropriate utility lines, pipes, mains, drains, manholes, wires, cables, conduits, and other facilities located off the Premises required in connection with or relating to the mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection, and other systems and facilities necessary to tie the Passenger Terminal Work and the Off-Premises Work into the service lines specified in subparagraph (ii) above, including, but not limited to, all necessary pipes, valves, materials, lift stations, pumps and other equipment and accessories located on, under or off the Premises;

(iv) Subject to and in accordance with paragraph (q) of this Section, the construction and installation of additions and modifications to and relocations of the underground fuel system, including but not limited to additions and modifications to

and relocations of the Distribution Portion of the System and the Airline Terminal Portion of the System located outside the Premises, if any, (as such terms are defined in Section 4.021 of the General Airport Agreement) and underground pipelines, fuel mains, and stubs necessary or required to tie into the Distribution Portion of the System at the Airport to accommodate and serve the Premises and all aircraft gate positions located or to be located at the Premises and the construction and installation of such additions and modifications to and relocations of the Distribution Portion of the System necessary or required by any changes to the Airline Terminal Portion of the System or the Distribution Portion of the System made by the Lessee, including but not limited to, transfer pumps, filter vessels and control systems associated with fuel lines T-403-1, T-403-2, T-403-3, T-408-1, T-408-2 and T-408-3;

(v) All appropriate, necessary or required demolition and removal work in accordance with applicable law, including without limitation, all applicable Environmental Requirements, the foregoing to include without limitation all appropriate, necessary or required removal of all asbestos, lead and other Hazardous Substances and the handling, transporting and off-Airport disposal thereof (including, if required, disposal of asbestos in an off-Airport long-term asbestos-only disposal facility);

(vi) All necessary or appropriate work in other areas of the Airport outside of the Premises directly impacted by the Redevelopment Work and required to be constructed in connection with other portions of the Redevelopment Work;

(xvii) All necessary or required work to conform to Port Authority frontage control requirements;

(xviii) All necessary or required work to conform to Port Authority requirements for access to public parking areas including static and dynamic sign systems and traffic lights and other traffic control devices and systems as specified and required by the Port Authority;

(ix) All necessary and required work to replace or relocate existing bus shelters at such locations as may be determined by the Port Authority with bus shelters of equal quality, features and amenities and to provide such additional like bus shelters as may be required to adequately serve the Premises;

(x) All grading and paving of ground areas and appropriate landscaping together with all related and associated work, including without limitation decorative paving of selected areas and landscaping and irrigation of the unpaved areas described in clause (i) above;

(xi) All necessary and required work to provide canopies over all pedestrian waiting and crossing areas constructed off of the Premises as part of the Redevelopment Work as hereinafter defined, including without limitation, all ground transportation waiting, loading and unloading areas;

(xii) The repair, restoration and reinstallation of all of the art fence, if any, entitled "Traveling by Air" located or formerly located on areas adjoining the Premises and the commissioning and installation of such additional art fencing at such locations off the Premises as identified by the Port Authority and in accordance with specifications to be provided by the Port Authority, and the installation of all necessary or required blast fences and other fencing including functional decorative fencing at locations identified by the Port Authority;

(xiii) All necessary or appropriate work for the construction of aircraft taxiways and taxiway access stubs as shown in honeycomb markings on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.2" and related equipment and accessories, including without limitation, signage, pavement markings, edge lights and lead-in lights; and

(xiv) All other appropriate or necessary work in connection with the foregoing clauses, including without limitation thereto, all borings, surveys, route marker signs, obstruction lights and material inspections and testing and also including all other tie-ins, temporary and otherwise, to utility lines and roadway access stubs.

All of the foregoing in this paragraph (a)(3) shall be constructed by the Lessee off the Premises and shall not be or become a part of the Premises under the Lease. All of the foregoing work, the Distribution Portion Work and the Satellite Portion Work (as such terms are defined in paragraph (q) of this Section) and any other work which the Lessee includes in its comprehensive plan and which is consented to by the Port Authority and is to be constructed by the Lessee off the Premises is hereinafter collectively referred to as the "Off-Premises Work".

(b) Obligation to Pay for the Performance of the Section 2B Work

(1) The Lessee agrees that the performance of the design and construction of the Passenger Terminal Work as described in paragraph (a)(2) and the performance of the design and construction of the Off-Premises Work as described in paragraph(a)(3) above, including without limitation any work that may also be ACO Work, shall be at the Lessee's sole cost and expense and shall be subject to and performed in accordance with all the terms, provisions and conditions of this Lease, such design and construction of both the Passenger Terminal Work and the Off-Premises Work shall, without limiting any other term or provision of this Lease, also be in conformance with design criteria as contained in the Port

Authority Tenant Construction Review Manual as the same may be amended from time to time (such design and construction of the Passenger Terminal Work and the Off-Premises Work being sometimes hereinafter collectively referred to as the "Redevelopment Work").

(2) The Lessee agrees that the performance of the design and construction of that portion of the ACO Work that is not a part of the Redevelopment Work, the foregoing to include without limitation that work which is solely remediation work such as but not limited to the work covered by alteration applications nos. Y-7100.04 and Y-7100.05, shall be at the Lessee's sole cost and expense and shall be subject to and performed in accordance with all the terms, provisions and conditions of this Lease and shall, without limiting any other term or provision of this Lease, also be in conformance with design criteria as contained in the Port Authority Tenant Construction Review Manual as the same may be amended from time to time (such design and construction of such portion of the ACO Work being hereinafter called the "Remediation Work" and the Remediation Work and the Redevelopment Work being hereinafter collectively referred to as the "Section 2B Work").

(c) Plans and Specifications

(1) Prior to the commencement of the Redevelopment Work, the Lessee shall submit to the Port Authority for the Port Authority's approval complete plans and specifications and all required supporting information including, but not limited to, drawings, reports, calculations and computer printouts of analysis therefor and prior to the commencement of the Remediation Work, the Lessee shall submit to the Port Authority for the Port Authority's approval complete plans and specifications and all required supporting information including, but not limited to, drawings, reports, calculations and computer printouts of analysis therefor. The Port Authority may refuse to grant approval with respect to the plans and specifications if, in its opinion, any of the proposed Section 2B Work as set forth in said plans and specifications (all of which shall be in such detail as may reasonably permit the Port Authority to make a determination as to whether the requirements hereinafter referred to are met) shall:

(i) Be unsafe, unsound, hazardous or improper for the use and occupancy for which it is designed, or

(ii) Not comply with the Port Authority's requirements for harmony of external architecture of similar existing or future improvements at the Airport, or

(iii) Not comply with the Port Authority's requirements with respect to external and interior building materials and finishes of similar existing or future improvements at the Airport, or

(iv) Not provide for sufficient clearances for taxiways, runways and apron areas, or

(v) Be designed for use for purposes other than those authorized under the Agreement, or

(vi) Set forth ground elevations or heights other than those prescribed by the Port Authority, or

(vii) Not provide adequate and proper roadways and pedestrian circulation areas, or

(viii) Not comply with the building height limitations in connection with sight line requirements between the existing control tower and the Public Aircraft Facilities at the Airport, or

(ix) Not be at locations or not be oriented in accordance with the Comprehensive Plan, or

(x) Not comply with the provisions of the Basic Lease, including without limiting the generality thereof, the provisions of Section 21 of the Basic Lease providing that the Port Authority will conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, or

(xi) Permit aircraft to overhang the boundary of the Premises, except when entering or leaving the Premises, or

(xii) Be in violation or contravention of any other provisions and terms of the Lease, or

(xiii) Not comply with all applicable governmental laws, ordinances, enactments, resolutions, rules and orders, or

(xiv) Not comply with all applicable requirements of the National Board of Fire Underwriters and the Fire Insurance Rating Organization of New York, or

(xv) Not comply with the Port Authority's requirements with

respect to landscaping, or

(xvi) Not comply with the Port Authority's requirements and standards with respect to noise, air pollution, water pollution or other types of pollution, or

(xvii) Not comply with the construction limitations set forth in Exhibit 1.1, or

(xviii) Without limiting any other term or provision hereof, not comply with the Americans With Disabilities Act of 1990 and all federal rules, regulations and guidelines pertaining thereto, or

(xix) Not comply with the Port Authority's standard design details, or

(xx) Not comply with the Port Authority's plans and policies with respect to ground transportation and traffic control and frontage control within the Central Terminal Area of the Airport, or

(xxi) Not be coordinated in design, functional planning, construction or scheduling or staging with other Port Authority or tenant construction in the Central Terminal Area at the Airport including without limitation the Parking Garage, or with the Lessee's staging of the Redevelopment Work hereunder or other ongoing Airport construction projects, including without limitation the construction of the AirTrain.

(2) In addition to and without limiting the foregoing, with respect to the portion of the Redevelopment Work representing the Off-Premises Work, the Lessee's design thereof and the said plans and specifications shall be subject to the complete prior written approval of the Port Authority and the Lessee shall make all changes and modifications to the said design, plans and specifications as may be required or recommended by the Port Authority.

(d) Performance of the Section 2B Work

All the Section 2B Work shall be done in accordance with the following terms and conditions:

(1) (i) The Lessee hereby assumes the risk of loss or damage to all of the Section 2B Work prior to the completion thereof and the risk of loss or damage to all property of the Port Authority and others and the risk of personal injury and death to all Persons arising out of or in connection with the performance of the Section 2B Work. In the event of such

loss or damage, the Lessee shall forthwith repair, replace and make good the Section 2B Work and the property of the Port Authority without cost or expense to the Port Authority. The Lessee shall itself and shall also require its contractors to indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against all claims and demands, just or unjust, of third Persons (including employees, officers, and agents of the Port Authority) arising or alleged to arise out of the performance of the Section 2B Work and for all expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury or for property damage, direct or consequential, all the foregoing to include without limitation all claims and demands arising out of or in connection with any Hazardous Substance and whether they arise from the acts or omissions of the Lessee, of any contractors of the Lessee, of the Port Authority, or of third Persons, or from acts of God or of the public enemy, or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), excepting only claims and demands which result solely from affirmative wilful acts done by the Port Authority, its Commissioners, officers, agents and employees with respect to the Section 2B Work, provided, however, that the Lessee shall not be required to indemnify the Port Authority where indemnity would be precluded pursuant to the provisions of Section 5-322.1 of the General Obligations Law of the State of New York.

(ii) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(2) (i) Prior to engaging or retaining an architect or architects for the Section 2B Work, the name or names of said architect or architects shall be submitted to the Port Authority for its approval. The Port Authority shall have the right to disapprove any architect who may be unacceptable to it. All the Section 2B Work shall be done in accordance with plans and specifications to be submitted to and approved by the Port Authority prior to the commencement of the Section 2B Work. If the Lessee desires to proceed with the Section 2B Work, the Lessee shall redo and resubmit such plans and specifications until approval thereof by the Port Authority. All the Section 2B Work, including workmanship and materials, shall be of first class quality. The Lessee shall redo, replace or construct at its own cost and expense, any Section 2B Work not done in accordance with the approved plans and specifications, the terms, provisions and conditions of this Lease or any further requirements of the Port Authority.

(ii) The Lessee has advised the Port Authority that it intends to

expend not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) with respect to the Redevelopment Work and shall complete the Redevelopment Work no later than the day immediately preceding the seventh (7th) anniversary of the Effective Date.

(3) (i) Prior to entering into a contract for any part of the Section 2B Work, the Lessee shall submit to the Port Authority for its approval the names of the contractors to whom the Lessee proposes to award said contracts. The Port Authority shall have the right to disapprove any contractor who may be unacceptable to it. The Lessee shall include in all such contracts such provisions and conditions as may be reasonably required by the Port Authority. Without limiting the generality of the foregoing all of the Lessee's construction contracts shall provide as follows: "If (i) the Contractor fails to perform any of his obligations under the Contract, including his obligation to the Lessee to pay any claims lawfully made against him by any materialman, subcontractor or workman or other third Person which arises out of or in connection with the performance of the Contract or (ii) any claim (just or unjust) which arises out of or in connection with the Contract is made against the Lessee or (iii) any subcontractor under the Contract fails to pay any claims lawfully made against him by any materialman, subcontractor, workman or other third Persons which arise out of or in connection with the Contract or if in the Lessee's opinion any of the aforesaid contingencies is likely to arise, then the Lessee shall have the right, in its discretion, to withhold out of any payment (final or otherwise and even though such payments have already been certified as due) such sums as the Lessee may deem amply to protect it against delay or loss or to assume the payment of just claims of third Persons, and to apply such sums in such manner as the Lessee may deem proper to secure such protection or satisfy such claims. All sums so applied shall be deducted from the Contractor's compensation. Omission by the Lessee to withhold out of any payment, final or otherwise, a sum for any of the above contingencies, even though such contingency has occurred at the time of such payment, shall not be deemed to indicate that the Lessee does not intend to exercise its right with respect to such contingency. Neither the above provisions for rights of the Lessee to withhold and apply monies nor any exercise, or attempted exercise of, or omission to exercise such rights by the Lessee shall create any obligation of any kind to such materialmen, subcontractors, workmen or other third Persons. Until actual payment is made to the Contractor, his right to any amount to be paid under the Contract (even though such amount has already been certified as due) shall be subordinate to the rights of the Lessee under this provision."

(ii) The Lessee shall file with the Port Authority a copy of its contracts with its contractors prior to the start of the Section 2B Work and in addition shall comply with all the terms and provisions of paragraph (e) with respect to the Off-Premises Work.

(4) The Lessee shall furnish or require its architect to furnish a full time resident engineer during the construction period. The Lessee shall require certification by a licensed engineer of all pile driving data and of all controlled concrete work and such other certifications as may be requested by the Port Authority from time to time. The Lessee shall

submit all certifications and logs to the Port Authority's Resident Engineer.

(5) The Lessee agrees to be solely responsible for any plans and specifications used by it and for any loss or damages resulting from the use thereof, notwithstanding the same have been approved by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements. Notwithstanding the requirement for approval by the Port Authority of the contracts to be entered into by the Lessee or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Port Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to any contractors engaged by the Lessee or for any other matter in connection therewith and the Lessee hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claims for damages or losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any of the Section 2B Work pursuant to the contracts between the Lessee and its contractors. Any warranties contained in any construction contract entered into by the Lessee for the performance of the Section 2B Work hereunder shall be for the benefit of the Port Authority as well as the Lessee, and the contract shall so provide.

(6) The Port Authority shall have the right, through its duly designated representatives, to inspect the Section 2B Work and the plans and specifications thereof, at any and all reasonable times during the progress thereof and from time to time, in its discretion, to take samples and perform testing in any part of the Section 2B Work.

(7) The Lessee agrees that it shall deliver to the Port Authority two (2) sets of "as built"drawings of the Section 2B Work on an electronic CADD data file on a CD Rom in a format to be designated by the Port Authority, all of which shall conform to the specifications of the Port Authority (the receipt of a copy of said specifications prior to the Effective Date being hereby acknowledged by the Lessee) , and all engineering reports, engineering analysis, boring logs, survey information and engineering design calculations and operation and maintenance manuals in a comprehensive, coordinated package. The Lessee shall, during the term of the Lease, keep said digital electronic files of drawings and said electronic CADD data files current showing thereon any changes or modifications which may be made. (No changes or modifications shall be made without prior Port Authority consent.)

(8) The Lessee shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the Section 2B Work, including but not limited to the fencing of the Premises or portions thereof or other areas and the covering of open areas with asphaltic emulsion or similar materials as the Port Authority may direct.

(9) (i) Without limiting the generality of any other term or condition of this Lease, title to any soil, dirt, sand or other material on the Premises or the Airport excavated by the Lessee during the course of the Section 2B Work (all the foregoing being hereinafter called the "Excavated Material") and not used at the Premises shall vest in the Lessee upon the excavation thereof and all such Excavated Material shall be delivered and deposited by the Lessee at the Lessee's sole cost and expense to any location off the Airport in accordance with the terms and conditions of this Lease, including without limitation this Section 2B(d)(9) and all applicable Environmental Requirements. The entire proceeds, if any, of the sale or other disposition of the Excavated Material shall belong to the Lessee.

(ii) (aa) In addition to subparagraph (9)(i) above and subject to the limitation set forth in subparagraph (9)(ii)(bb) below, in its performance of the Section 2B Work the Lessee shall perform at its cost and expense all appropriate, required and necessary work for the removal of all asbestos, lead, petroleum contamination and other Hazardous Substances from the Site including without limitation the groundwater thereunder, the foregoing to include without limitation the handling, transporting and off-Airport disposal thereof in accordance with applicable law, including without limitation, all applicable Environmental Requirements (including, if required, disposal of asbestos in a long-term disposal facility at the Lessee's sole cost and expense) and all in a manner satisfactory to the Port Authority, provided, however, the foregoing shall not require the Lessee to remove from the soil in the Site those chemicals set forth with respect to soil in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.3" (hereinafter called "Exhibit 2B.3") to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil in, on and under the Site and shall not require the Lessee to remove from the ground water in, on and under the Site those chemicals set forth with respect to ground water in Exhibit 2B.3 to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for ground water in, on and under the Site and, provided, further, that in the use of any Approved Cleanup Criteria the Lessee shall comply with all requirements of all Governmental Authorities for the use thereof including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport, which letter is attached hereto as part of Exhibit 2B.3, and all the requirements of the DEC pursuant to the ACO.

(bb) It is hereby agreed that unless required by any Environmental Requirement, the Lessee shall not be required pursuant to subparagraph (9)(ii)(aa) above to remove a Hazardous Substance to the extent the presence of such Hazardous Substance in, on or under the Premises and/or the Site was the sole result of naturally occurring phenomena and such Hazardous Substance was not in whole or in part released, discharged or introduced into, on, under or about the Premises or the Site by human activity and was not in whole or in part

caused by or resulted from a release, discharge, or introduction into, on, under or about the Premises or the Site by human activity (any such naturally occurring Hazardous Substance being hereinafter called a "Naturally Occurring Hazardous Substance"), it being understood that the Lessee shall be required pursuant to said subparagraph (9)(ii)(aa) to remove any Naturally Occurring Hazardous Substance to the extent required by any Environmental Requirement.

(iii) Promptly upon final disposition of any Hazardous Substance from the Premises or the Airport in the performance of the Section 2B Work, the Lessee shall submit to the Port Authority a "Certification of Final Disposal" stating the type and amount of material disposed, the method of disposal and the owner and location of the disposal facility. The format of such certification shall follow the requirements, if any, of governmental agencies having jurisdiction as if the Port Authority were a private organization and the name of the Port Authority shall not appear on any certificate or other document as a generator or owner of such material.

(iv) In the event any Hazardous Substance is discovered in the performance of the Section 2B Work, the Lessee in reporting such Hazardous Substance shall direct such report to the attention of such individual at the subject governmental authority as the General Manager of the Airport shall require in order to assure consistency in the environmental management of the Airport.

(10) The Lessee shall pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third Persons arising out of or in connection with or because of the performance of the Section 2B Work, and shall cause its contractors and subcontractors to pay all such claims lawfully made against them, provided, however, that nothing herein contained shall be construed to limit the right of the Lessee to contest any claim of a contractor, subcontractor, materialman, workman and/or other Person and no such claim shall be considered to be an obligation of the Lessee within the meaning of this Section unless and until the same shall have been finally adjudicated. The Lessee shall use its best efforts to resolve any such claims and shall keep the Port Authority fully informed of its actions with respect thereto. Nothing herein contained shall be deemed to constitute consent to the creation of any liens or claims against the Section 2B Work, the Premises, the Site or any other area of the Airport nor to create any rights in said third Persons against the Port Authority.

(11) (i) The Lessee in its own name as insured and including the Port Authority as an additional insured, including without limitation for both premises-operations and completed operations, shall procure and maintain Commercial General Liability Insurance, including but not limited to premises-operations, products liability, broad form property damage, completed operations for a minimum of three years after the later to occur of the ACO Work Completion Date or the Redevelopment Work Completion Date, explosion, collapse and

underground property damages, personal injury (including death) and independent contractors in not less than the minimum limit set forth below, and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to subparagraphs (1) and (5) of this paragraph (d) and paragraphs (o) and (q) of this Section 2B and the obligations required of the Lessee's contractors pursuant to subparagraph (1) of this paragraph (d), and Commercial Automobile Liability Insurance covering owned, non-owned and hired vehicles in not less that the minimum limit set forth below, and Environmental Impairment Liability Insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period for the Section 2B Work and, instead of being included as an additional insured as aforesaid, including the Port Authority as an insured, as owner, and including without limitation, asbestos abatement, lead abatement, site specific to the Section 2B Work and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to paragraphs (d)(1), (o) and (q) of this Section 2B and the obligations assumed by the Lessee and its contractors pursuant to paragraph (d)(1) of this Section 2B with respect to Hazardous Substances, in not less than the limit set forth below, and such other insurance as the Port Authority may require in connection with the performance of the Section 2B Work. The Lessee may provide such insurance by requiring each contractor engaged by it for the Section 2B Work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Lessee or by a contractor engaged by it as aforesaid, not to contain any care, custody or control exclusions, and not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. In addition to the foregoing, the Lessee shall provide and maintain or shall require each contractor engaged by it for the Section 2B Work to provide and maintain property insurance coverage for the full value of such personal property and equipment, said policy of property and equipment insurance shall cover and insure against such hazards and risks as are customarily insured under such a policy and shall contain an endorsement waiving any rights of subrogation of the insurer against the Port Authority. The said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority, and shall also provide or contain an endorsement providing that the protections afforded the Port Authority thereunder with respect to any claim or action against the Port Authority by the Lessee shall be the same as the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person as if the Port Authority were the named insured thereunder, but such provision or endorsement shall not limit, vary or affect the protections afforded the Port Authority thereunder as an additional insured. In addition, each of the said policy or policies of insurance shall be endorsed to state they are primary in relation to any insurance carried or maintained by the Port Authority, including without limitation, any self-insurance, regardless of type. All the foregoing insurance requirements shall be in addition to all policies of insurance otherwise required by the

Lease.

	Minimum Limits
Commercial General Liability Combined single limit per occurrence for death, bodily injury and property damage liability:	$100,000,000.00
Commercial Automobile Liability (covering owned, non-owned and hired vehicles) Combined single limit per occurrence for death, bodily injury and property damage liability:	$25,000,000.00
Environmental Impairment Liability Combined single limit per occurrence for death, bodily injury and property for both gradual and sudden occurrences and both on-site and off-site cleanup:	$10,000,000.00

(ii) Without limiting the provisions hereof, in the event the Lessee maintains the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with all the terms and provisions hereof.

(iii) The Lessee shall also procure and maintain in effect, or cause to be procured and maintained in effect, Workers' Compensation Insurance and Employer's Liability Insurance in accordance with and as required by law and including coverage for asbestos exposure.

(iv) The insurance required hereunder in this subparagraph (11) shall be maintained in effect during the performance of the Section 2B Work and a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority at least fifteen (15) days prior to the commencement of the Section 2B Work or any portion thereof. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy, certificate and binder shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and, also, contain a valid provision or endorsement that the policy may not

be canceled, terminated, changed or modified without giving thirty (30) days' written advance notice thereof to the Port Authority and the City of New York. Each such copy and each such certificate with respect to the insurance required under this subparagraph (11) shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy or certificate shall be delivered to the Port Authority prior to the expiration of each expiring policy. The aforesaid policies of insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority agreeing not to act unreasonably hereunder. If the Port Authority at any time so requests, a certified copy of each of the policies shall be delivered to the Port Authority.

(12) (i) The Lessee shall procure and maintain Builder's Risk (All Risk) Completed Value Insurance covering the Section 2B Work during the performance thereof including material delivered to the Premises or the construction site but not attached to the realty. Such insurance shall be in compliance with and subject to the applicable provisions of Section 11 of the Lease entitled "Insurance" and shall name the Port Authority, the City of New York and the Lessee and its contractors and subcontractors as Insureds as their interests may appear and such policy shall provide that the loss shall be adjusted with and payable to the Lessee. Such proceeds shall be used by the Lessee for the repair, replacement or rebuilding of the Section 2B Work and any excess shall be paid over to the Port Authority. The policies or certificates representing insurance covered by this subparagraph (12) shall be delivered by the Lessee to the Port Authority at least thirty (30) days prior to the commencement of construction of the Section 2B Work or any portion thereof, and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and also contain a valid provision obligating the insurance company to furnish the Port Authority and the City of New York thirty (30) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least thirty (30) days before the expiration of the insurance which such policies are to renew.

(ii) The insurance covered by this subparagraph (12) shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the

carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of the said policies shall be delivered to the Port Authority.

(13) The Lessee shall be under no obligation to reimburse the Port Authority for expenses incurred by the Port Authority in connection with its normal review and approval of the original plans and specifications submitted by the Lessee pursuant to this Section. The Lessee however agrees to pay to the Port Authority upon its demand the expenses incurred by the Port Authority in connection with any additional review for approval of any changes, modifications or revisions of the original plans and specifications which may be proposed by the Lessee for the Port Authority's approval. The expenses of the Port Authority for any such additional review and approval shall be computed on the basis of direct payroll time expended in connection therewith plus 100. Wherever in this Lease reference is made to "direct payroll time", costs computed thereunder shall include a pro-rata share of the cost to the Port Authority of providing employee benefits, including, but not limited to, pensions, hospitalization, medical and life insurance, vacations and holidays. Such computations shall be in accordance with the Port Authority's accounting principles as consistently applied prior to the Effective Date.

(14) The Lessee shall prior to the commencement of construction of the Section 2B Work and at all times during such construction submit to the Port Authority all engineering studies and environmental test results with respect to the Section 2B Work and samples of construction materials as may be required at any time and from time to time by the Port Authority.

(15) The Lessee shall at the time of submitting its comprehensive plan to the Port Authority as provided in paragraph (a) hereof submit to the Port Authority its forecasts of the number of people who will be working at various times during the term of the Lease at the Premises, the expected utility demands of the Premises, noise profiles and such other information as the Port Authority may require. The Lessee shall continue to submit its latest forecasts and such other information as may be required as aforesaid as the Port Authority shall from time to time and at any time request.

(16) If the Lessee desires to perform the Section 2B Work, it shall execute and submit for the Port Authority's approval a construction application or applications in the form prescribed by the Port Authority covering the Section 2B Work or portions thereof prior to the performance of the Section 2B Work. The Lessee shall comply with all the terms and provisions of the approved construction application. In the event of any inconsistency between the terms of any construction application and the terms of this Lease, the terms of this Lease shall prevail and control. No approval nor anything contained in any approval granted by the Port Authority in connection with the Section 2B Work shall constitute a determination or indication

by the Port Authority that the Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited those of the City of New York, which may pertain to the work to be performed.

(17) Nothing contained in this Lease shall grant or be deemed to grant any contractor, architect, supplier, subcontractor or any other Person engaged by the Lessee or any of its contractors in the performance of any part of the Section 2B Work any right of action or claim against the Port Authority, its Commissioners, officers, agents and employees with respect to any work any of them may do in connection with the Section 2B Work. Nothing contained herein shall create or be deemed to create any relationship between the Port Authority and any such contractor, architect, supplier, subcontractor or any other Person engaged by the Lessee or any of its contractors in the performance of any part of the Section 2B Work and the Port Authority shall not be responsible to any of the foregoing for any payments due or alleged to be due thereto for any work performed or materials purchased in connection with the Section 2B Work.

(18) (i) Without limiting any other terms, provisions and conditions of the Lease, the Lessee understands and agrees that it shall put into effect prior to the commencement of any of the Section 2B Work an affirmative action program and Minority Business Enterprise (MBE) program and Women-owned Business Enterprise (WBE) program in accordance with the provisions of Schedule E attached hereto and hereby made a part hereof (hereinafter "Schedule E"); as used in Schedule E the term "construction work" shall apply to the Section 2B Work. The provisions of said Schedule E shall be applicable to the Lessee's contractor or contractors and subcontractors at any tier of construction as well as to the Lessee itself and the Lessee shall include the provisions of said Schedule E within all of its construction contracts so as to make said provisions and undertakings the direct obligation of the construction contractor or contractors and subcontractors at any tier of construction. The Lessee shall and shall require its said contractor, contractors and subcontractors to furnish to the Port Authority such data, including but not limited to compliance reports relating to the operation and implementation of the affirmative action, MBE and WBE programs called for hereunder as the Port Authority may request at any time and from time to time regarding the affirmative action, MBE and WBE programs of the Lessee and its contractor, contractors, and subcontractors at any tier of construction, and the Lessee shall and shall also require that its contractor, contractors and subcontractors at any tier of construction make and put into effect such modifications and additions thereto as may be directed by the Port Authority pursuant to the provisions hereof and said Schedule E to effectuate the goals of affirmative action and MBE and WBE programs.

(ii) In addition to and without limiting any terms and provisions of this Lease, the Lessee shall provide in its contracts and all subcontracts covering the Section 2B Work or any portion thereof, that:

(aa) The contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and shall undertake or continue existing programs of affirmative action to ensure that minority group persons are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeships and on-the-job training;

(bb) At the request of either the Port Authority or the Lessee, the contractor shall request such employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding and which is involved in the performance of the contract with the Lessee to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the contractor's obligations hereunder;

(cc) The contractor will state, in all solicitations or advertisements for employees placed by or on behalf of the contractor in the performance of the contract, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status;

(dd) The contractor will include the provisions of subparagraphs (18)(aa) through (18)(cc) of this paragraph (d) in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with the contract;

(ee) "Contractor" as used herein shall include each contractor and subcontractor at any tier of construction.

(iii) The Lessee in the performance of the Section 2B Work shall commit itself to and use good faith efforts to implement an extensive program to utilize Local Business Enterprises in accordance with and as set forth the schedule attached hereto, hereby made a part hereof and marked "Schedule F".

(19) The Lessee shall not commence the Section 2B Work unless and until it has met with the General Manager of the Airport, and has given him at least 72 hours advance notice of its intention to perform the Section 2B Work. Scheduling of the Section 2B Work shall be coordinated with the General Manager of the Airport or his duly authorized

representative.

(20) In connection with the performance of the Section 2B Work the Lessee shall be responsible for identifying the location of all utilities and shall prior to the commencement of any of the Section 2B Work coordinate the Section 2B Work with the New York City and Long Island One Call toll free information service (1-800-272-4480) and ascertain the location of underground utilities, if any, at the Premises and off the Premises in the vicinity where any of the Section 2B Work is to be performed. The Lessee shall provide the Port Authority with the written evidence of such coordination.

(21) In the performance of the Section 2B Work the Lessee shall not employ any contractor nor shall the Lessee or any of its contractors employ any Persons or use or have any equipment or materials or allow any condition to exist if any such shall or, in the opinion of the Port Authority, may cause or be conducive to any labor troubles at the Airport which interfere, or in the opinion of the Port Authority are likely to interfere with the operations of others at the Airport or with the progress of other construction work thereat. The determinations of the Port Authority shall be conclusive to the Lessee. Upon notice from the Port Authority, the Lessee shall immediately remove such contractor or withdraw or cause its contractors to withdraw from the Airport, the Persons, equipment or materials specified in the notice and replace them with unobjectionable contractors, Persons, equipment and materials and the Lessee shall or shall cause its contractor to immediately rectify any condition specified in the notice. In the event of failure by the Lessee or any of its contractors to immediately comply with the requirements of this subparagraph (whether or not such failure is due to the Lessee's fault), the Port Authority shall have the right to suspend the Lessee's right to perform the Section 2B Work without prior notice; when the labor troubles shall be so settled that such interferences or the danger thereof no longer exists, the Port Authority, by notice to the Lessee, shall reinstate said right on all the same terms and conditions as before the suspension. "Labor troubles" shall mean and include strikes, boycotts, picketing, work-stoppages, slowdowns, complaints, disputes, controversies or any other type of labor trouble, regardless of the employer of the Person involved or their employment status, if any.

(e) Additional Requirements for Performance of the Off-Premises Work

In addition to and without limiting the terms and conditions set forth in paragraph (d) above, the Lessee hereby specifically agrees that notwithstanding the Port Authority's approval of any construction application the Lessee shall, as directed by the Port Authority, design and make such changes or modifications in the Off-Premises Work as may be required by the Port Authority, which changes and modifications will become a part of the construction application. Furthermore, the Off-Premises Work will be constructed in accordance with and subject to any conditions which may be imposed by the General Manager of the Airport.

(f) Provisional Approvals

The Lessee may wish to commence construction of portions of the Redevelopment Work prior to the approval by the Port Authority of its complete plans and specifications for the same as required in this Section and if the Lessee does it shall submit a written request to the Port Authority setting forth the work it proposes to then do. The Port Authority shall have full and complete discretion as to whether or not to permit the Lessee to proceed with said work. Further, the Lessee may wish to commence construction of portions of the Remediation Work prior to the approval by the Port Authority of its complete plans and specifications for the same as required in this Section and if the Lessee does it shall submit a written request to the Port Authority setting forth the work it proposes to then do. The Port Authority shall have full and complete discretion as to whether or not to permit the Lessee to proceed with said work. If the Port Authority has no objection to the Lessee's proceeding with the work, it shall do so by writing a letter to the Lessee to such effect. If the Lessee performs the work covered by said letter, it agrees all such work shall be performed subject to and in accordance with all of the provisions of the approval letter and subject to and in accordance with the following terms and conditions:

(1) The performance by the Lessee of the work covered by any request as aforesaid will be at its sole risk. Until the complete plans and specifications for the Redevelopment Work have been approved by the Port Authority or if the approval thereof calls for modifications or changes in the work undertaken by the Lessee under any approval granted by the Port Authority pursuant to this paragraph (f), the Lessee will, as directed by the Port Authority, at its sole cost and expense, either restore and rebuild the area affected to a condition of equal function, utility, efficiency and capacity as that existing prior to the commencement of any such work and as required and approved by the Port Authority or make such modifications and changes in any such work as may be required by the Port Authority. Until the complete plans and specifications for the Remediation Work have been approved by the Port Authority or if the approval thereof calls for modifications or changes in the work undertaken by the Lessee under any approval granted by the Port Authority pursuant to this paragraph (f), the Lessee will, as directed by the Port Authority, at its sole cost and expense make such modifications and changes in any such work as may be required by the Port Authority.

(2) Nothing contained in any approval hereunder shall constitute a determination or indication by the Port Authority that the Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited to those of the City of New York, which may pertain to the work to be performed.

(3) The approved work will be performed in accordance with and subject to the terms, conditions, indemnities and provisions of the Lease covering the Section 2B Work and the Redevelopment Work or the Remediation Work, as the case shall be, and with the

terms, conditions, indemnities and provisions of any construction application which the Port Authority may request the Lessee to submit even though such construction application may not have, at the time of the approval under this paragraph (f), been approved by the Port Authority.

(4) No work under any such approval shall affect or limit the obligations of the Lessee under all prior approvals with respect to its construction of the Section 2B Work.

(5) The Lessee shall comply with all requirements, stipulations and provisions as may be set forth in the letter of approval.

(6) In the event that the Lessee shall at any time during the construction of any portion of the Section 2B Work under the approval granted by the Port Authority pursuant to this paragraph (f) fail, in the opinion of the General Manager of the Airport, to comply with all of the provisions of the Lease with respect to such work, the construction application or the approval letter covering the same or be, in the opinion of the said General Manager of the Airport, in breach of any of the provisions of the Lease, the construction application or the approval letter covering the same, the Port Authority shall have the right, acting through said General Manager of the Airport, to cause the Lessee to cease all or such part of the Section 2B Work as is being performed in violation of the Lease, the construction application or the approval letter. Upon such written direction from the General Manager of the Airport the Lessee shall promptly cease construction of the portion of the Section 2B Work specified. The Lessee shall thereupon submit to the Port Authority for its written approval the Lessee's proposal for making modifications, corrections or changes in or to the Section 2B Work that has been or is to be performed so that the same will comply with the provisions of this Lease, the construction application and the approval letter covering the Section 2B Work. The Lessee shall not commence construction of the portion of the Section 2B Work that has been halted until such written approval has been received.

(7) It is hereby expressly understood and agreed that neither the Resident Engineer nor the field engineer(s) mentioned in paragraph (g) below has any authority to approve any plans and specifications of the Lessee with respect to the Section 2B Work, to approve the construction by the Lessee of any portion of the Section 2B Work or to agree to any variation by the Lessee from compliance with the terms of the Lease, or the construction application or the approval letter with respect to the Section 2B Work. Notwithstanding the foregoing, should the Resident Engineer or any field engineer give any directions or approvals with respect to the Lessee's performance of any portion of the Section 2B Work which are contrary to the provisions of the Lease, the construction application or the approval letter, said directions or approvals shall not affect the obligations of the Lessee as set forth herein nor release or relieve the Lessee from strict compliance therewith.

(8) It is hereby further understood and agreed that the Port Authority

has no duty or obligation of any kind whatsoever to inspect or police the performance of the Section 2B Work by the Lessee and the rights granted to the Port Authority hereunder shall not create or be deemed to create such a duty or obligation. Accordingly, the fact that the General Manager of the Airport has not exercised the Port Authority's right to require the Lessee to cease its construction of all or any part of the Section 2B Work shall not be or be deemed to be an agreement or acknowledgment on the part of the Port Authority that the Lessee has in fact performed such portion of the Section 2B Work in accordance with the terms of the Lease, the construction application or the approval letter nor shall such fact be or be deemed to be a waiver by the Port Authority from the requirement of strict compliance by the Lessee with the provisions of the Lease, the construction application and the approval letter with respect to such work.

(9) Without limiting the discretion of the Port Authority hereunder, the Port Authority hereby specifically advises the Lessee that even if the Port Authority hereafter in the exercise of its discretion wishes to grant approvals under this paragraph (f), it may be unable to do so, so as to permit the Lessee to continue work without interruption following its completion of the work covered by any prior approval hereunder. The Lessee hereby acknowledges that if it commences work pursuant to this paragraph (f) it shall do so with full knowledge that there may not be continuity by it in the performance of its Section 2B Work under the procedures of this paragraph (f).

(10) No prior approval of any work in connection with the Section 2B Work shall create or be deemed to create any obligation on the part of the Port Authority to permit subsequent work to be performed in connection therewith prior to the approval by the Port Authority of the Lessee's complete plans and specifications therefor. It is understood that no such prior approval shall release or relieve the Lessee from its obligation to submit complete plans and specifications for the Section 2B Work and to obtain the Port Authority's approval of the same as set forth in paragraphs (c) and (d) hereof. It is further understood that in the event the Lessee elects not to continue to seek further approval letter(s) pursuant to this paragraph (f), the Port Authority shall have the right to suspend the obligations of the Lessee to restore the area with respect to the Redevelopment Work and to make modifications and changes to the Section 2B Work as set forth in subparagraph (1) above until the Port Authority shall have approved the complete plans and specifications for the Section 2B Work in accordance with paragraph (c) hereof.

(g) Commencement of Section 2B Work and Assignment of Port Authority Field Engineer

The Lessee will give the General Manager of the Airport at least 72 hours advance notice prior to the commencement of construction. The Port Authority will assign to the Section 2B Work a full time field engineer or engineers during such time that any Section 2B Work is being performed pursuant to paragraph (f) hereof and may assign to the Section 2B Work

a full time field engineer or engineers during any time that no Section 2B Work is being performed pursuant to paragraph (f) hereof. The Lessee shall pay to the Port Authority for the services of said engineer or engineers, the sum of Seven Hundred Five Dollars and No Cents ($705.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2000; and the sum of Seven Hundred Twenty Dollars and No Cents ($720.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2001; and the sum of Seven Hundred Thirty-five Dollars and No Cents ($735.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2002; and the sum of Seven Hundred Fifty Dollars and No Cents ($750.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2003; and the sum of Seven Hundred Sixty-five Dollars and No Cents ($765.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2004; and the sum of Seven Hundred Eighty Dollars and No Cents ($780.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2005; and the sum of Seven Hundred Ninety-five Dollars and No Cents ($795.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2006; and for each and every calendar year thereafter, the rate that the Port Authority shall charge other Aircraft Operators at the Airport for the services of such engineer or engineers during such calendar year for each day or part thereof that the engineer or engineers are so assigned for such calendar year, provided, however, and notwithstanding the foregoing, in the event any such field engineer shall be so assigned for a half-day or less, then the rate the Lessee shall pay to the Port Authority for such day for such engineer shall be equal to one half of the applicable daily rate set forth above for such engineer. The Port Authority shall bill the Lessee for the services of said field engineer(s) not less frequently than once a month. Nothing contained herein shall affect any of the provisions of paragraph (n) hereof or the rights of the Port Authority thereunder.

(h) Additional Environmental Requirements

(1) The Section 2B Work shall be constructed in such a manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the Premises by the Lessee and from the operations of the Lessee under this Agreement. Accordingly, and in addition to all other obligations imposed on the Lessee under this Agreement and without diminishing, limiting, modifying or affecting any of the same, the Lessee shall be obligated to construct as part of the Section 2B Work hereunder such structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the foregoing and each of the foregoing shall be and become a part of the Section 2B Work hereunder.

(2) Notwithstanding the provisions of subparagraph (1) above and in

addition thereto, the Port Authority hereby reserves the right from time to time and at any time during the term of the Lease to require the Lessee, subsequent to the completion of the Section 2B Work to design and construct at its sole cost and expense such further reasonable structures, fences, equipment, devices and other facilities as maybe necessary or appropriate to accomplish the objectives as set forth in the first sentence of subparagraph (1) hereof. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. All other provisions of this Section with respect to the Section 2B Work shall apply and pertain with like effect to any work which the Lessee is obligated to perform pursuant to this paragraph (h) and upon completion of each portion of such work it shall be and become a part of the Premises.

(i) Title to Section 2B Work

Except as set forth in paragraph (a)(2)(vii) hereof and paragraph (q)(2)(vi), title to all the Section 2B Work shall pass to the City as the same or any part thereof is erected, constructed or installed and the same except as set forth in paragraphs (a)(2)(vii), (a)(3) and (l) hereof shall be and become a part of the Premises hereunder if located on the Premises. The foregoing provisions of this paragraph (i) shall not affect the risks and obligations assumed by the Lessee hereunder nor release the Lessee from the performance of its rebuilding and restoration obligations set forth in this Section 2B.

(j) Continuing Operations

The Lessee acknowledges that it will be continuing its operations at the Premises under the Lease during the period of time it is performing the Section 2B Work hereunder. The Lessee further acknowledges that this may involve among other things inconvenience, noise, dust, interference and disturbance to the Lessee in its operations at the Premises as well as to its customers, patrons, invitees and employees and possibly other risks as well. The Lessee hereby expressly assumes all of the foregoing risks and agrees that there will be no reduction or abatement of any of the rentals, fees or charges payable by the Lessee under the Lease or otherwise on account of its performance of the Section 2B Work and that the performance of the Section 2B Work shall not constitute an eviction or constructive eviction of the Lessee nor be grounds for any abatement of rents, fees or charges payable by the Lessee under the Lease or otherwise nor give rise to or be the basis of any claim or demand by the Lessee against the Port Authority, its Commissioners, officers, employees or agents for damages, consequential or otherwise.

(k) Minimization of Disruption of and Coordination with Other Airport Operations, Activities and Construction:

(1) The Lessee acknowledges that the Port Authority as well as other users, lessees, tenants, airport patrons and invitees and others will be continuing their operations in the Central Terminal Area during the period of time the Lessee is performing the Section 2B Work hereunder and that this will involve among other things inconvenience, noise, dust, interference and disturbance to said operations and possibly other risks as well. The Lessee further acknowledges that the Section 2B Work hereunder will impact traffic flow and control on the roadways in the CTA as well as the terminal frontage roads in front of the Premises and the use thereof by customers, patrons, invitees and employees. The Lessee hereby expressly assumes all of the foregoing risks. Without limiting the foregoing, the Lessee shall and expressly hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Section 2B Work and each portion thereof in such a manner so as to minimize the impact and any disruption resulting therefrom on said operations and on traffic control and traffic flow in the CTA. The Lessee shall, without limiting any other term or provision hereof, communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users, lessees, tenants, airport patrons, invitees and others in all aspects of the Section 2B Work, and the Lessee shall coordinate and work in harmony with all said Persons, including without limitation the users and occupants of the Premises and Port Authority contractors. The Lessee shall also communicate and cooperate (and require each of its contractors to communicate and cooperate) with all ground transportation operators and providers including all taxi, limousine and bus operators throughout the entire period of time of the performance of the Section 2B Work. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for minimization of disruption and for contractor cooperation, communication and coordination.

(2) The Lessee shall perform and schedule and shall require each of its contractors and subcontractors to perform and schedule the Section 2B Work with a high degree of coordination with the Port Authority's plans and schedules for the construction of the AirTrain, the Parking Garage and the plans and schedules for utility work at the Airport and the Lessee shall at all times during the construction of the AirTrain, the Parking Garage and such utility work cooperate and communicate and shall require each of it contractors and subcontractors to cooperate and communicate with the Port Authority and the Port Authority's contractors, including without limitation, the Parking Garage Contractor(s), the contractor for the AirTrain and the contractor(s) performing such utility work. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for contractor cooperation, communication and coordination.

(3) The Lessee acknowledges that the Section 2B Work may impact on the fuel distribution system at the Airport as well as other utilities on or adjoining the Airport and that the Section 2B Work may disrupt or interfere with or interrupt the operation and performance of such utilities. The Lessee hereby expressly assumes all of the risks from such disruption, interference and interruption. Without limiting the foregoing, the Lessee shall and expressly

hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Section 2B Work and each portion thereof in such a manner so as to minimize the disruption, interference and interruption resulting therefrom on said utilities. The Lessee shall, without limiting any other term or provision hereof, determine which utilities may be affected by the performance of the Section 2B Work and communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users of such utilities in all aspects of the Section 2B Work, and the Lessee shall coordinate and work in harmony with all said Persons. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for minimization of disruption, interference and interruption and for contractor cooperation, communication and coordination.

(4) Temporary Construction Program:

In order to ensure appropriate levels of service to the users, occupants, and Airport patrons and others using the Airport during the performance of the Section 2B Work, the Lessee, not less than sixty (60) days prior to the commencement of any portion of the Section 2B Work and the implementation of each construction stage, shall prepare and submit to the Port Authority for its prior approval a temporary construction program (including, but not limited to, drawings, sketches, schedules and narrative descriptions) which sets forth plans for the continuing provision of all patron services and landside operations at or adjacent to the Premises. Without limiting any other term or provision hereof, any temporary construction is and shall be subject to paragraph (n) below, including, but not limited to, certifications of the Lessee and the Lessee's licensed architect or engineer and the issuance of a certificate of completion therefor by the Port Authority.

(5) Without limiting any other term or provision hereof, the Lessee shall complete the design and perform the Section 2B Work in a manner consistent with roadway, frontage and utility improvements of the Port Authority at the Airport and with the construction of the AirTrain.

(6) In the performance of the Section 2BWork, the Lessee shall not exacerbate the environmental condition of the Premises or the Airport.

(l) Utility Lines

(1) The Port Authority shall have no responsibility for bringing to the Premises or the Site any utility service lines for the supply of cold water, electric power, and sanitary and storm sewers, or any other utility or service lines, except for the utility service lines that may be serving the Premises on the Effective Date. If the Lessee determines that it will require that additional utility service lines be brought to the Premises or that the capacity of one or more of the existing utility service lines serving the Premises be greater than the capacity which

existed on the Effective Date, the Lessee shall submit to the Port Authority for the Port Authority's approval a tenant alteration application covering the work to provide the additional utility service line capacity to the Premises (hereinafter called the "Off-Site Utility Service Line Work") which work when and if approved by the Port Authority shall be performed by the Lessee at the Lessee's sole cost and expense in accordance with all the terms and provisions of this Section, provided, however, that the Off-Site Utility Service Line Work shall not be or become a part of the Premises hereunder.

(2) The Lessee understands that there may be communications and utility lines and conduits located on or under the Premises which do not, and may not in the future, serve the Premises and are located on or under the Premises where the Redevelopment Work is or is to be performed or for which currently or in the future the operation, maintenance, replacement, repair are or maybe affected by the Redevelopment Work or the performance thereof. The Lessee agrees at its sole cost and expense, if directed by the Port Authority so to do, to relocate and reinstall such communications and utility lines and conduits on the Premises or off the Premises as directed by the Port Authority and to restore all affected areas (such work being hereinafter collectively called the "Relocation Work"), provided, however, it is understood that the obligations of the Lessee under this paragraph (l)(2) shall terminate on the Section 2B Work Completion Date. The Lessee shall perform the Relocation Work subject to and in accordance with all the terms and provisions of this Section and the Relocation Work shall be and become a part of the Redevelopment Work, it being understood, however, that the Relocation Work shall not be or become a part of the Premises hereunder.

(3) In the event KIAC does not permit the Lessee to relocate or perform any other work in connection with the TDS (including without limitation the lateral mains and heat exchangers) constituting a portion of the Redevelopment Work, such relocation and other work shall be performed by KIAC or KIAC's contractors, as determined by KIAC, at the sole cost and expense of the Lessee. Such work, upon completion, will become a part of the TDS at the Airport and will become the property of the Port Authority or of its designee and will not be a part of the Premises.

(m) Dewatering

Prior to the commencement of any of the Section 2B Work, the Lessee shall, at its sole cost and expense, obtain from the DEC and maintain in effect its own dewatering permit and its own New York State Pollution Discharge Elimination System (SPDES) construction permit or the DEC equivalent thereof in the Lessee's own name covering the Section 2B Work (which dewatering and construction permits are herein called "American's Permits") for the removal of groundwater and discharge elimination in connection with all or any of the Section 2B Work. Maximum flow from the dewatering systems shall not exceed permissible limits defined in American's Permits. The Lessee shall comply with all the terms and conditions of American's Permits and with any and all additional requirements of the DEC and notwithstanding anything in

American's Permits to the contrary, the use of American's Permits shall not violate or be the cause of the violation of any existing and future dewatering or SPDES permits at the Airport. In the event that the projected zone of influence of any planned dewatering system is found to extend into any area outside of the Premises or the Site, the Lessee shall notify the Port Authority by submitting to the Geotechnical Unit of the Port Authority the proposed dewatering design for review and approval.

(n) Completion of the Section 2B Work

(1) When the Redevelopment Work is substantially completed and ready for use, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that the Redevelopment Work has been constructed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter the Redevelopment Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee. The Lessee shall not use or permit the use of the Redevelopment Work for the purposes set forth in the Lease until such certificate is received from the Port Authority, and the Lessee shall not use or permit the use of the Redevelopment Work or any portion thereof even if such certificate is received if the Port Authority states in any such certificate that the same cannot be used until other specified portions are completed.

(2) The term "Redevelopment Work Completion Date" for the purposes of the Lease shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of this paragraph (n) after the substantial completion of the Redevelopment Work.

(3) In addition to and without affecting the obligations of the Lessee under the preceding subparagraph (1), when an integral and material portion of the Redevelopment Work is substantially completed or is properly usable the Lessee may advise the Port Authority to such effect and may deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Redevelopment Work has been constructed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, and specifying that such portion of the Redevelopment Work can be properly used even though the Redevelopment Work has not been completed and that the Lessee desires such use. The Port Authority may in its

sole discretion deliver a certificate to the Lessee with respect to each such portion of the Redevelopment Work permitting the Lessee to use such portion thereof for the purposes set forth in the Lease. In such event the Lessee may use such portion subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee, and subject to the risks as set forth in paragraph (f) hereof in the event that the Port Authority shall not have then approved the complete plans and specifications for the Redevelopment Work. Moreover, at any time prior to the issuance of the certificate required in subparagraph (1) above for the Redevelopment Work, the Lessee shall promptly upon receipt of a written notice from the Port Authority cease its use of such portion of the Redevelopment Work which it had been using pursuant to permission granted in this subparagraph (3).

(4) When the ACO Work is completed, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that the ACO Work has been completed in accordance with the approved plans and specifications therefor and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation, the ACO and that the Lessee has obtained a no further action letter from the DEC for the Premises and for the ACO Work. Thereafter the ACO Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect the ACO Work and any liability therefor shall be borne by the Lessee. The Lessee shall not shut down or remove any remediation system or Remediation Work until such certificate is received from the Port Authority.

(5) The term "ACO Work Completion Date" for the purposes of the Lease shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (4) of this paragraph (n) after the completion of the ACO Work and the "Section 2B Work Completion Date" shall mean the later to occur of the Redevelopment Work Completion Date or the ACO Work Completion Date.

(6) In addition to and without affecting the obligations of the Lessee under the preceding subparagraph (4), when an integral and material portion of the Remediation Work is completed to the satisfaction of the Port Authority and the DEC and the Lessee desires to shut down and/or remove any of such portion of the Remediation Work the Lessee may advise the Port Authority to such effect and may deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Remediation Work has been completed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders,

including without limitation the ACO, and that the Lessee has received permission from the DEC to shut down and/or remove, as the case shall be, such portion of the Remediation Work and specifying that such portion of the Remediation Work can be properly shut down or removed even though the ACO Work has not been completed and that the Lessee desires that such portion of the Remediation Work be removed and/or shut down. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to each such portion of the Remediation Work permitting the Lessee to shut down and/or remove such portion thereof. In such event the Lessee may shut down or remove such portion subject to the condition that all risks thereafter with respect to the performance, construction, installation, removal and shut down of the same and any liability therefor for negligence or other reason shall be borne by the Lessee, and subject to the risks as set forth in paragraph (f) hereof in the event that the Port Authority shall not have then approved the complete plans and specifications for the Remediation Work. Moreover, at any time prior to the issuance of the certificate required in subparagraph (4) above for the ACO Work, the Lessee shall promptly upon receipt of a written notice from the Port Authority reinstall and/or turnon, as such notice shall require, such portion of the Remediation Work.

(o) (1) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO or any approval by the Port Authority, the Lessee on its own behalf and on behalf of its predecessors, successors, assigns and insurers agrees to assume all responsibility for and to forever remise, release, discharge, hold harmless, reimburse and indemnify the Port Authority, its Commissioners, officers, employees and representatives from and against, including without limitation reimbursing the Port Authority for its costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) incurred in connection with the defense of, any and all past, present and future Liabilities whatsoever on account of, arising or alleged to arise out of, or in any way related to or in connection with, or caused by or resulting from, any Risk-based Clean-up, Environmental Requirement or Environmental Damages related to the Section 2B Work (all the foregoing to include without limitation the compliance with and/or violation of any such Environmental Requirement, the investigation, remediation, excavation, removal, clean-up, management, encapsulation, containment, abatement, treatment, monitoring, transportation, disposal, release, spill, deposit, emission, migration, seepage, leakage, discharge, handling, and storage of Hazardous Substances, the exacerbation of contamination, the cost of demolition and rebuilding of any improvements on the Premises and/or the Site, any increased construction costs and expenses, any construction delays, the performance of any dewatering or discharging by the Lessee and the use of American's Permits) or arising or alleged to arise out of, or in any way related to, a breach or default of the Lessee's obligations under this paragraph (o) or a breach or default of the Lessee's obligations under this Section 2B with respect to any Hazardous Substance or any Environmental Requirement including without limitation all costs and expenses (including without limitation, those of Port Authority's staff) in enforcing the provisions thereof, and whether any of the foregoing arise out of any Hazardous Substance on the Premises prior to or after the effective date

of the letting of the Premises to the Lessee under the Lease or on the Site prior to or after the effective date of the letting of the Premises to the Lessee under the Lease or out of the acts or omissions of the Lessee or of the Port Authority or of the contractors of the Lessee or of the Port Authority or of third Persons or out of the acts of God or the public enemy or otherwise, provided, however, if and only if an indemnity claim or demand is made by a third Person against the Port Authority and such claim or demand (i) is for indemnification by the Port Authority of the fault of such third Person, (ii) arises solely pursuant to a written agreement voluntarily entered into by the Port Authority with such third Person after the Effective Date (the "Voluntary Agreement"), and (iii) other than the Voluntary Agreement there is no past, existing or future obligation whatsoever whether arising at or pursuant to law, equity, contract, contribution, litigation or otherwise for the Port Authority to in part or in whole so indemnify such third Person for such claim or demand, then and only if such claim and demand meets all the criteria set forth in the foregoing items (i), (ii) and (iii) the Lessee shall not be obligated pursuant to this paragraph (o) to indemnify the Port Authority for such claim or demand. If so directed, the Lessee shall at its own expense defend any suit based upon the foregoing and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(2) Nothing contained in nor not contained in this paragraph (o) shall nor shall be deemed to limit the generality thereof, except, however, it is hereby agreed that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (o) where such indemnity is precluded by statute.

(p) It is hereby agreed and understood that effective as of September 24, 1998 Lease AYB-085 shall be and be deemed to have been amended and supplemented to include this Section 2B and all the terms, provisions, covenants and conditions of this Section 2B shall and shall be deemed to be a part of Lease AYB-085 from and after September 24, 1998.

(q) (1) The following terms when used in this paragraph (q) shall have the respective meanings given below:

(i) "Abandoned Fuel Lines" shall mean any portion of the System which is taken out of service as part of the Fuel Lines Work and is abandoned in place or is abandoned and removed from the Airport as a part of the Fuel Lines Work.

(ii) "Acceptance Date" shall mean with respect to each portion of the Distribution Portion Work, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the Distribution Portion Work and shall mean with respect to each portion of the

Satellite Portion Work, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the Satellite Portion Work.

(iii) "Affected Distribution Lines" shall mean the Premises Distribution Lines and the Non-Premises Distribution Lines.

(iv) "Airport Fueling Agreements" shall mean the General Airport Agreement (which agreement is one of several general airport agreements which have been entered into by the Port Authority with other Aircraft Operators at the Airport and is together with the other general airport agreements commonly known as the "Dewey Leases"), the other Dewey Leases and any other agreements covering aircraft fueling at the Airport which are contemplated by the Dewey Leases, it being understood and agreed that the term "Dewey Leases" shall continue to include such leases upon the expiration thereof as the same may continue to be operative.

(v) "Airline Terminal Portion Work" shall mean the New Isolation Valves, all portions of the Fuel Lines Work located on the demand side of the New Isolation Valves such as but not limited to underground pipe lines, hydrant boxes and related facilities and appurtenances (except for hydrant valves), and all other Fuel Lines Work that is performed on the Premises and that is not Distribution Portion Work.

(vi) "Distribution Portion Work" shall mean (x) that portion of the Fuel Lines Work which is performed on that portion of the Distribution Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) that shall not become a portion of the Redesignated Airline Terminal Portion of the System, (y) the New Non-Premises Distribution Lines (as defined in subparagraph (2) hereof), and (z) all hydrant valves installed as part of the Fuel Lines Work.

(vii) "Fuel Line Risks" shall mean any and all risks, costs, expenses, damages, responsibilities and liabilities arising out of, in connection with or resulting from the Fuel Lines Work, the New System Components, the Inert Fuel Lines or the Abandoned Fuel Lines, including but not limited to, each Warranty, all Defects (as such terms are defined in subparagraph (x) hereof), the failure to have, or the inclusion of (whether proper or improper), any maintenance, repair, replacement, operation or other costs or expenses incurred in connection with the New System Components, the Abandoned Lines or the Inert Fuel Lines included in the System Costs, or the failure or refusal of the Users or any of them to pay any such costs or expenses, or the failure to obtain the agreement or approval of the Other Users for the Fuel Lines Work, including without limitation the payment of the costs thereof and its design.

(viii) "Fuel Lines Work" shall have the meaning set forth in subparagraph (2) hereof.

(ix) "Inert Fuel Lines" shall mean the Distribution Portion of Premises Distribution Lines 403-3 and 408-3 (as shown on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.4" (which exhibit is herein referred to as "Exhibit 2B.4") which as part of the Fuel Lines Work are capped, rendered inert and taken out of service but are not abandoned.

(x) "New Isolation Valves" shall mean all of the isolation valves to be constructed and installed by the Lessee in proposed Isolation Valve Vault IW-C6 as shown on Exhibit 2B.4 with respect to Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 as shown on Exhibit 2B.4 as part of the Fuel Lines Work.

(xi) "New System Components" shall collectively mean the Airline Terminal Portion Work, the Distribution Portion Work and the Satellite Portion Work.

(xii) "Non-Premises Distribution Lines" shall mean all of those distribution fuel lines identified on Exhibit 2B.4 as Line 401-1, Line 401-2, Line 401-3, Line 409-01, Line 409-02 and Line 409-03 as such Lines recommence at the dike wall of the Satellite Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) and their related facilities and appurtenances.

(xiii) "Other Users" shall mean all Users except for the Lessee.

(xiv) "Permitted Modification" shall mean a modification, relocation, alteration, addition, replacement or capital improvement made to the System by any Person, provided, however, that (i) the costs and expenses of such modification, relocation, alteration, addition, replacement or capital improvement are not includable or included in Systems Costs by reason that one or more persons have agreed to pay for such costs and expenses (which person may be one of the Users and if so such agreement to pay such costs and expenses has not been made by such person pursuant to the Airport Fueling Agreements) or was performed by or on behalf of the Port Authority and is not "An Additional Facility Improvement" (as such term is defined in Section 4.021 of the General Airport Agreement) and/or the Port Authority has not proposed to the Lessee or the other Basic Aircraft Operators (as such term is used in Section 12.14 of the General Airport Agreement) that such modification, relocation, alteration, addition, replacement or capital improvement be made to the Distribution Portion of the System pursuant to Section 4.021 K. of the General Airport Agreement and/or is any other work which is not included or includable in System Costs pursuant to the Dewey Leases and (ii) such modification, relocation, alteration, addition, replacement or capital improvement shall have been

approved or performed by the Port Authority.

(xv) "Premises Distribution Line" shall mean any of and "Premises Distribution Lines" shall mean all of those distribution fuel lines identified as Line 403-1, Line 403-2, Line 403-3, Line 408-01, Line 408-02 and Line 408-03 on Exhibit 2B.4 as such Lines recommence at the dike wall of the Satellite Portion of the System and their related facilities and appurtenances.

(xvi) "Redesignation Date" shall mean with respect to each Premises Distribution Line the date that the Lessee shall first commence any of the Fuel Lines Work with respect to such Premises Distribution Line.

(xvii) "Redesignated Airline Terminal Portion of the System" shall mean all portions of Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 existing prior to the commencement of the Fuel Lines Work and located on the demand side of the place where New Isolation Valves are to be installed and all portions of Premises Distribution Lines 403-3 and 408-3 located on the demand side of the points identified as the "Distribution Line End Points" on Exhibit 2B.4 where the caps are to be installed on such Lines as part of the Fuel Lines Work but the Redesignated Airline Terminal Portion of the System shall not include such caps.

(xviii) "Satellite Portion Work" shall mean that portion of the Fuel Lines Work, if any, that is performed at the Satellite Portion of the System.

(xix) "System Operator" shall mean Ogden New York Services, Inc., the Port Authority's independent contractor presently operating the System, or any other Person who shall operate, repair or maintain the System pursuant to the Dewey Leases.

(xx) "System Costs" shall mean all costs and expenses incurred in connection with the System, including without limitation capital, operation, maintenance and repair costs and expenses, paid or to be paid for collectively by the Users pursuant to the Airport Fueling Agreements (including without limitation Sections 4.02 and 4.021 of the Dewey Leases).

(xxi) "System License" shall mean the Major Petroleum Facility License issued by the New York State Department of Environmental Conservation bearing license number 2-2380 covering the bulk storage area (as such term is used in the General Airport Agreement), and each and every successor or extension to or replacement of such license and any other license, registration or permit covering or with respect to the bulk storage area, the Satellite Portion or the Distribution Portion required by any Environmental Requirement.

(xxii) "Users" shall mean any Persons who use the System or are obligated (whether by agreement or otherwise) to pay any System Costs.

(2) As part of the Lessee's Redevelopment Work, the Lessee has advised the Port Authority that it desires to relocate and abandon portions of the Affected Distribution Lines located on the Premises as well as make certain replacements and modifications to the Satellite Portion of the System and other portions of the Distribution Portion of the System as shall be required, necessary or desirable for such relocation and abandonment (any work performed on the System and any replacements and abandonment of the System to be performed by the Lessee as part of the Redevelopment Work and which may be approved by the Port Authority pursuant to this Section and as the same may be approved by the Port Authority being herein referred to as the "Fuel Lines Work"). The proposed relocation and abandonment work includes among other items the construction of new replacement distribution fuel lines in connection with the Lessee's proposed construction of a new sewer line in the vicinity of proposed Isolation Valve Vault IW-C6 and in connection with the Lessee's proposed construction of a tunnel (which new distribution fuel lines which exclusively serve the Premises and their related facilities and appurtenances are herein called the "New Premises Fuel Lines" and which new distribution fuel lines which do not serve the Premises and their related facilities and appurtenances are herein called the "New Non-Premises Distribution Lines"), the capping, abandonment and removal of certain portions of the Affected Distribution Lines, and the construction of a new isolation valve vault in the location shown on Exhibit 2B.4 and identified as "Isolation Valve Vault IW-C6". All Fuel Lines Work performed by the Lessee shall be performed subject to and in accordance the following additional terms and conditions:

(i) All Fuel Lines Work shall be performed at the sole cost and expense of the Lessee and the Lessee agrees none of such costs and expenses shall become part of System Costs. The Lessee further agrees that if any costs and expenses for the repair, operation, replacement, maintenance or use of the Distribution Portion Work, the Satellite Portion Work or the Inert Fuel Lines for any reason whatsoever are not included or includable in, or not allowed to become a part of, System Costs, that the Lessee shall bear and pay for any and all such costs and expenses. In addition, all of the Distribution Portion of the System which is taken out of service and abandoned as part of the Fuel Lines Work shall be removed from the Airport by the Lessee as a part of the Fuel Lines Work.

(ii) The Fuel Lines Work shall be performed in accordance with all the terms and conditions of this Lease and of the General Airport Agreement.

(iii) In addition to and without limiting the obligations set forth in paragraph (k)(3) of this Section, any portion of the Fuel Lines Work performed by the System Operator shall be performed by the System Operator on behalf of the Lessee and at

the Lessee's sole cost and expense. The Lessee shall assure that the costs and expenses of all Fuel Lines Work are separately allocated and billed to the Lessee by each of its contractors, including without limitation, by the System Operator, and in no event are any such costs and expenses to be allocated or billed as, or to become a part of, System Costs. Further, the Lessee shall communicate and cooperate (and require each of its contractors to communicate and cooperate) with the System Operator in all aspects of the Fuel Lines Work and shall coordinate the performance of the Fuel Lines Work with the System Operator. The Lessee shall include in each of its contracts and subcontracts covering the Fuel Lines Work or any portion thereof the foregoing requirements for cooperation, communication, coordination, allocation and billing.

(iv) In addition to and without limiting the obligations set forth in paragraph (k) of this Section, the Lessee shall in the performance of the Fuel Lines Work and in fulfillment of its obligations pursuant to subparagraph (xi) hereof, minimize to the greatest extent possible any disruption, interruption, delay or interference in the operation, performance, maintenance, repair or use of the System. To that end, prior to the Lessee's commencement of the Fuel Lines Work or any portion thereof, the Lessee shall submit to the Port Authority for the Port Authority's approval a plan to accomplish the foregoing and shall revise and update such plan as desirable or required throughout the performance of the Fuel Lines Work. Such plan shall include without limitation the sequencing and scheduling of all shut downs of any portion of the System such as but not limited to the sequencing and scheduling of all work to tie-in any portion of the Fuel Lines Work to the System and flushing and testing the Fuel Lines Work, and shall provide that only one of the Affected Distribution Lines shall be out of service at the same time and that no section of the System shall be taken or kept out of service during peak travel periods. Further, such plan shall include actions and procedures to be undertaken and followed in the event of any unscheduled or unexpected shut down or disruption of or interference with the operation or use of the of the System. The Lessee understands and agrees that no approval of the Port Authority shall relieve or release the Lessee from its obligations under this paragraph (q). The Port Authority shall have the right from time to time to require the Lessee to make changes to the plan and the Lessee shall comply therewith and with any and all such required changes.

(v) All Fuel Lines Work shall comply in all respects with the System License and all other Environmental Requirements and the Lessee shall take all actions to ensure such compliance. Further, if required or permitted by the New York State Department of Environmental Conservation or any other applicable Governmental Authority, the Lessee shall register, license and/or permit the Airline Terminal Portion of the System in accordance with Environmental Requirements in the name of the Lessee as the owner thereof and the System Operator as the operator thereof.

(vi) Notwithstanding paragraph (i) of this Section, title to the Airline Terminal Portion Work shall remain in the Lessee as the same or any part thereof is erected, constructed or installed and upon such erection, construction or installation the same shall be and become a part of the Airline Terminal Portion of the System for the purposes of this Agreement and the Airport Fueling Agreements including without limitation the Lessee assuming all risks, costs, expenses, responsibilities and liabilities in connection therewith and the same shall be and become a Tank (as such term is defined in Section 65 hereof entitled "Fuel Storage Tanks") and all the terms and conditions of Section 65 shall apply thereto.

(vii) Notwithstanding any terms or conditions in the Airport Fueling Agreements to the contrary, effective as of the Redesignation Date with respect to each Premises Distribution Line, that portion of such Premises Distribution Line constituting a portion of the Redesignated Airline Terminal Portion of the System shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Airline Terminal Portion of the System and a Tank and all the terms and conditions of Section 65 hereof shall apply thereto. Without limiting the generality of any other term or provision of this Agreement, from and after the Redesignation Date for each such Redesignated Airline Terminal Portion of the System, such Redesignated Airline Terminal Portion of the System shall no longer be or be deem to be a part of the Distribution Portion of the System and the Lessee shall take title to the same in its "as is" condition and shall release and relieve the Port Authority and Other Users from and shall assume all risks, costs, expenses, responsibilities and liabilities in connection with such Redesignated Airline Terminal Portion of the System.

(viii) Title to all the Distribution Portion Work and the Satellite Portion Work shall pass to the City of New York as the same or any portion thereof is erected, constructed and installed and effective upon the Acceptance Date of each portion of the Distribution Portion Work, such Distribution Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Distribution Portion of the System and effective upon the Acceptance Date of each portion of the Satellite Portion Work, such Satellite Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Satellite Portion of the System.

(ix) The Lessee shall take all actions to maintain and protect all manufacturer, contractor and vendor warranties (express and implied) of any New System Components.

(x) The Lessee hereby agrees as the lessee hereunder, as the lessee under the General Airport Agreement and as a User, that it shall not object to, challenge or make

any claim or demand (including without limitation one for or concerning arbitration), whether under this Agreement, the General Airport Agreement or any other Airport Fueling Agreement or otherwise, with respect to, on account of or arising out of any Permitted Modification, including without limitation, (aa) the failure of the Port Authority to have entered into any written agreement with, or to have obtained consents or approvals from, one or more Users in connection with any Permitted Modification or (bb) the inclusion or the failure to be included in the System Costs any maintenance, repair, replacement, operational or other costs and expenses with respect to a Permitted Modification.

(xi) Notwithstanding any other term or provision of this Agreement or any review by the Port Authority of the plans and specifications for the Fuel Lines Work or any comment of the Port Authority on or failure of the Port Authority to comment on the design, performance or installation of the Fuel Lines Work, or any inspection or approval by the Port Authority or by the System Operator of the Fuel Lines Work, or any terms or conditions of any Port Authority approval covering the Fuel Lines Work, or the existence of any patent or trade name, or any other facts or circumstances which could or could be construed to affect or relieve the Lessee from its obligations under this paragraph (q)(2)(xi), the Lessee unconditionally guarantees, warrants and represents to the Port Authority and the Other Users that:

(aa) the Fuel Lines Work shall be performed in accordance with and subject to all the terms and conditions of this Agreement and the General Airport Agreement,

(bb) the New System Components shall comply with all industry standards and Environmental Requirements applicable thereto and shall at all times be fully fit to perform all the functions and purposes for which they were designed and as required by and set forth in the General Airport Agreement,

(cc) the New System Components and the System shall at all times meet or exceed all aspects of the System as it existed prior to the commencement of the Fuel Lines Work, including without limitation, in capacity, integrity, functional capability, efficiency and operation,

(dd) the Fuel Lines Work shall not be included or includable in System Costs,

(ee) the New System Components shall not increase the costs and expenses to operate, maintain, repair or use the Distribution Portion or the Satellite Portion, or any portion thereof or increase the System Costs,

(ff) the New System Components shall at all times throughout their expected useful life operate free from any defects, deficiencies or failures of any kind, including without limitation, any leaks or any defects, deficiencies or failures in design, workmanship, construction or materials,

(gg) neither the Fuel Lines Work nor the New System Components shall violate any Environmental Requirement or cause or result in any Environmental Damages, and

(hh) the New System Components, including without limitation, the cathodic protection system to be installed by the Lessee as part of the Airline Terminal Portion Work, shall be designed to be and shall be fully integrated into and compatible with the Distribution Portion and the Satellite Portion of the System (each of the foregoing described in (aa), (bb), (cc), (dd), (ee), (ff), (gg) and (hh) and the warranties described in paragraph (d)(5) of this Section being herein called a "Warranty").

Upon the Lessee's receipt at any time and from time to time of notice from the Port Authority or any Governmental Authority or other Person that a Warranty has been breached or not complied with or in the event the Lessee becomes aware of or receives any other notice (constructive or otherwise) of a breach of or noncompliance with a Warranty (any such breach or noncompliance being herein called a "Defect"), the Lessee shall in accordance with all the terms and conditions of this Agreement including without limitation Section 33 hereof and at its sole cost and expense, repair, modify or replace such Defect or do whatever else shall be required to correct such Defect, including without limitation, removing, relocating and replacing all or a part of the New System Components and all necessary and required work to accomplish the foregoing and none of such costs and expenses shall be or become System Costs. The foregoing warranty, representation and guarantee shall not be a limitation on any expressed or implied warranty or guaranty otherwise available to the Port Authority or the Other Users or any of them, under this Agreement, any of the contracts for the Fuel Lines Work, law, equity or otherwise or a limitation on any other rights or remedies which the Port Authority and/or any Other Users may have in connection with the Fuel Lines Work, the System or the New System Components whether pursuant to the Airport Fueling Agreements, this Agreement, at law or equity, or otherwise.

(xii) Without limiting any other term or condition of this Agreement and in addition to the terms and conditions set forth elsewhere in this Lease, the Lessee hereby relieves and releases the Port Authority and the Other Users from and assumes all the Fuel Line Risks.

(xiii) (aa) Without limiting any other term or provision hereof and in addition thereto, the Lessee shall release, hold harmless and indemnify the Other Users and each of them and the Port Authority and its Commissioners, officers and employees and representatives from and against, including without limitation, reimbursing the Other Users and the Port Authority for their costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff), incurred in connection with the defense, settlement or satisfaction of all claims and demands, just or unjust, arising or alleged to arise out of the Fuel Lines Work, the New System Components, the Abandoned Fuel Lines, the Inert Fuel Lines, the Fuel Line Risks, each Warranty, any Defects, or any breach by the Lessee of any term or provision of this paragraph (q), or any breach of the General Airport Agreement with respect to this paragraph (q), including without limitation, for death, personal injury or property damage, whether pursuant to contract, permit, lease, law, equity or otherwise, whether direct or consequential, and whether they arise from the acts or omissions of the Lessee or of any contractors of the Lessee, or of the Port Authority or any contractor of the Port Authority or of third persons, or of the Other Users or any of them, or from acts of God or a public enemy or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), provided, however, that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (q)(2)(xii) where indemnity would be precluded pursuant to provisions of any statute.

(bb) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(xiv) The terms and conditions set forth in subparagraphs (i), (xi), (xii) and (xiii) of this paragraph (q) shall inure to the benefit of the Other Users.

(xv) The Port Authority's acceptance of the Fuel Lines Work in part or in whole whether as set forth in subparagraph (3) of this paragraph (q), in paragraph (n) of this Section or otherwise, shall not in part or in whole, release or relieve the Lessee from its obligations under this paragraph (q) or otherwise. Moreover, neither the enumeration in this paragraph (q) nor the enumeration elsewhere in this Agreement of particular risks assumed by the Lessee or of particular claims for which it is responsible shall be deemed (x) to limit the effect of the provisions of this paragraph (q) or of any other Section of this

Agreement relating to such risks or claims, (y) to imply that the Lessee assumes or is responsible for risks or claims only of the type enumerated in this paragraph (q) or in any other portion of this Agreement, or (z) to limit the risks which the Lessee would assume or the claims or demands for which it would be responsible in the absence of such enumeration.

(3) In addition to and without affecting the obligations of the Lessee pursuant to paragraph (n) of this Section, when an integral and material portion of the Distribution Portion Work and/or the Satellite Portion Work is fully operational, has been successfully tested and properly flushed and is ready to be placed in service, the Lessee shall so advise the Port Authority and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Fuel Lines Work has been constructed, inspected and tested in accordance with approved plans and specifications, the provisions of the Lease and the General Airport Agreement and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation the System License, and specifying the portion of the Distribution Portion Work and/or the Satellite Portion that has been so completed, inspected and tested. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to such portion of the Distribution Portion Work and/or Satellite Portion Work stating that such portion may be placed in operation for the purposes set forth in the General Airport Agreement and subject to and in accordance with all the terms and conditions of this Lease and the General Airport Agreement and subject to the risks set forth in paragraph (f) hereof in the event that the Port Authority has not approved the plans and specifications for the Redevelopment Work and/or for the Remediation Work.

Section 3. Term

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Airport Lease" shall mean either (i) the Basic Lease, as the same may have been supplemented, amended and extended or (ii) a New Airport Lease, as the same may have been supplemented, amended and extended, whichever shall be in full force and effect.

(2) "Airport Lease Extension Agreement" shall mean each agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and which supplements and amends the Basic Lease whereby the term of the letting of the Airport to the Port Authority (including the Premises) continues without interruption and is extended to a date subsequent to December 31, 2015 or which is a New Airport

Agreement relating to such risks or claims, (y) to imply that the Lessee assumes or is responsible for risks or claims only of the type enumerated in this paragraph (q) or in any other portion of this Agreement, or (z) to limit the risks which the Lessee would assume or the claims or demands for which it would be responsible in the absence of such enumeration.

(3) In addition to and without affecting the obligations of the Lessee pursuant to paragraph (n) of this Section, when an integral and material portion of the Distribution Portion Work and/or the Satellite Portion Work is fully operational, has been successfully tested and properly flushed and is ready to be placed in service, the Lessee shall so advise the Port Authority and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Fuel Lines Work has been constructed, inspected and tested in accordance with approved plans and specifications, the provisions of the Lease and the General Airport Agreement and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation the System License, and specifying the portion of the Distribution Portion Work and/or the Satellite Portion that has been so completed, inspected and tested. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to such portion of the Distribution Portion Work and/or Satellite Portion Work stating that such portion may be placed in operation for the purposes set forth in the General Airport Agreement and subject to and in accordance with all the terms and conditions of this Lease and the General Airport Agreement and subject to the risks set forth in paragraph (f) hereof in the event that the Port Authority has not approved the plans and specifications for the Redevelopment Work and/or for the Remediation Work.

Section 3. Term

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Airport Lease" shall mean either (i) the Basic Lease, as the same may have been supplemented, amended and extended or (ii) a New Airport Lease, as the same may have been supplemented, amended and extended, whichever shall be in full force and effect.

(2) "Airport Lease Extension Agreement" shall mean each agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and which supplements and amends the Basic Lease whereby the term of the letting of the Airport to the Port Authority (including the Premises) continues without interruption and is extended to a date subsequent to December 31, 2015 or which is a New Airport

Lease pursuant to which the Port Authority's letting of the Airport (including the Premises) continues without interruption or which supplements and amends the Airport Lease whereby the term of the letting to the Airport (including the Premises) to the Port Authority continues without interruption and is extended to a date subsequent to December 31, 2015.

(3) "Applicable Airport Lease Extension Agreement" shall have the meaning set forth in paragraph (d)(1) below and at any particular date shall mean the most recent Airport Lease Extension Agreement that the City of New York and the Port Authority have entered into and which is in full force and effect as of such particular date.

(4) "Current Lease" shall mean as of any particular date, this Lease as the same may have been amended, supplemented and extended as of such date.

(5) "Current Lease Expiration Date" shall mean as of the Effective Date, December 27, 2015 and shall mean as of any other date subsequent to the Effective Date, the date that the term of the letting under the Current Lease in effect as of such date shall expire by the express written terms and provisions thereof, provided, however, in no event shall there be any Current Lease Expiration Date which would occur after the Final Lease Extension Date.

(6) "Fee Transfer Agreement" shall mean an agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and which transfers the title to and ownership of the fee in the Airport and the Premises to the Port Authority.

(7) "Fee Transfer Date" shall mean a date prior to the Final Lease Extension Date and on which the closing of the transfer of title to and ownership of the fee in the Airport and the Premises to the Port Authority pursuant to a Fee Transfer Agreement shall have occurred.

(8) "Final Lease Extension Date" shall mean the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) the day immediately preceding the thirty-sixth (36th) anniversary of the Effective Date.

(9) "New Airport Lease" shall mean an agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and pursuant to which the Port Authority continues as the lessee of the Airport without interruption but is not an amendment, supplement or extension of the Basic Lease.

(10) "Paragraph (c) Extension Supplement" shall have the meaning set forth in paragraph (c)(3) of this Section.

(11) "Paragraph (d) Extension Supplement" shall have the meaning set forth in paragraph (d)(3) of this Section.

(12) "Permitted Tenancy" shall have the meaning set forth in paragraph (f) of this Section.

(b) The term of the letting under this Lease, as the same shall have commenced under Lease AYB-085, shall expire on December 27, 2015 unless sooner terminated in accordance with the terms and provisions of this Lease.

(c) (1) Without limiting paragraph (b) above or Section 26 hereof entitled "Surrender" or Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted" or any other term, provision, covenant and condition of this Agreement and subject to the terms and provisions of paragraphs (e) and (f) of this Section, in the event and only in the event there shall be a Fee Transfer Date, the Port Authority hereby agrees but only as set forth in paragraph (c)(3) of this Section and subject to all of the terms and conditions set forth in this paragraph (c) and paragraphs (e) and (f) of this Section, to extend the term of the letting under the Current Lease then in effect from the Current Lease Expiration Date set forth in said Current Lease to the Final Lease Extension Date, which Final Lease Extension Date shall be set forth in a Paragraph (c) Extension Supplement as hereinafter set forth, provided, however, in no event shall the term of the letting under the Current Lease be extended pursuant to this paragraph (c) unless all the terms and conditions set forth in paragraphs (c)(2), (c)(3), (e) and (f) of this Section have been complied with and all of the following additional terms and conditions shall also have been complied with:

(A) Both immediately and at all times prior to the Fee Transfer Date and both immediately and at all times prior to the date of the Port Authority's execution and delivery of the Paragraph (c) Extension Supplement:

(aa) the term of the letting under the Current Lease shall be in full force and effect or, if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, such Permitted Tenancy shall be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a

Permitted Tenancy then, in addition to the foregoing, neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of such Permitted Tenancy;

(cc) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, the Lessee shall additionally be in full compliance with the terms, provisions, covenants and conditions of such Permitted Tenancy set forth in paragraphs (e) and (f) hereof, on its part to be kept, performed and observed; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled "Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Paragraph (c) Extension Supplement shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(dd) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(ee) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(ff) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof;

(gg) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date; and

(hh) none of the Triggering Events listed in Exhibit 52.1 shall have occurred.

(B) All of the Required Conditions shall have occurred; and

(C) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (A)(aa) through (A)(hh) and subparagraph (B) above.

(D) Such extension shall be permitted under, and shall not be in violation of, the Fee Transfer Agreement and the Fee Transfer Date and shall be in compliance with all applicable terms and conditions thereof.

(2) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the term of the letting under the Current Lease or to enter into any Paragraph (c) Extension Supplement pursuant to this paragraph (c) unless and until a Fee Transfer Agreement is fully entered into and is in full force and effect, the Fee Transfer Date shall have occurred and all the other terms and conditions of this paragraph (c) shall have been complied with and unless such extension of the letting of the Premises to the Lessee and the resulting "Paragraph (c) Extension Supplement" would not be contrary to, inconsistent or conflict with, or violative of the terms and provisions of paragraphs (e) or (f) of this Section. Further, in any event when the Current Lease has expired by its express written terms whether on the occurrence of the Current Lease Expiration Date or otherwise and whether or not there is a Permitted Tenancy, the Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to not terminate, any use, occupancy, possession, tenancy or letting of the Premises by the Lessee which may occur after such expiration or to accept or not accept any rentals from the Lessee, it being understood and agreed however that the rights of the Port Authority to terminate any Permitted Tenancy shall be as set forth in the Current Lease.

(3) In the event (i) there is both a Fee Transfer Agreement and a Fee

Transfer Date, and (ii) all of the terms and conditions set forth in paragraphs (c)(1) and (c)(2) of this Section have been complied with, and only in such event, the Final Lease Extension Date shall be set forth in a supplement to the Current Lease prepared by the Port Authority and sent to the Lessee for execution by it; which supplement shall extend the term of the letting thereunder to the Final Lease Extension Date and shall include such other additional terms and provisions as the Port Authority may determine appropriate, it being understood that said proposed supplement shall not change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing said proposed supplement may require the Lessee to pay to the Port Authority any or all of the Port Authority's increased costs under or arising out of or resulting from the Fee Transfer Agreement, the Fee Transfer Date or any Permitted Tenancy (but the Lessee shall not be obligated to have paid the Port Authority more that once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, the Current Lease (as the same may be supplemented by the Paragraph (c) Extension Supplement, if any, arising from the Fee Transfer Agreement and the Fee Transfer Date) or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from the Fee Transfer Agreement, the Fee Transfer Date or any Permitted Tenancy that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner. Within thirty (30) days after the Port Authority has sent said proposed supplement to the Lessee, the Lessee shall properly execute and return the said proposed supplement to the Port Authority for its execution and delivery. In the event the Lessee fails so to properly execute and return the said proposed supplement to the Port Authority then the Port Authority shall have no further or other obligation with respect to any proposed extension of the letting under the Current Lease under this paragraph (c) or with respect to any other extension of the letting of the Premises to the Lessee or any other letting of the Premises to the Lessee and there shall be no extension of the term of the letting of the Premises to the Lessee pursuant to this paragraph (c) or otherwise to the Final Lease Extension Date or to any other date, and the respective rights and obligations of the parties regarding the Lessee's use, occupancy and possession of the Premises after December 27, 2015 or later Current Lease Expiration Date, if any, shall be as set forth in and subject to paragraphs (e) and (f) hereof. If the said supplement is fully executed and delivered by both the Port Authority and the Lessee, upon such execution and delivery the same shall be the "Paragraph (c) Extension Supplement" as such term is used herein and the Port Authority shall have no further obligation whatsoever to extend the term of the letting hereunder or otherwise.

(d) (1) Without limiting paragraphs (b) or (c) above or Section 26 hereof entitled "Surrender" or Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted" or any other term, provision, covenant and condition of this Agreement and subject to the terms and provisions of paragraphs (e) and (f) of this Section, in the event that all of the following shall be the case and only in such event:

(i) there shall have been no preceding Fee Transfer Date,

(ii) an Airport Lease Extension Agreement meeting all the requirements set forth in paragraph (a)(2) of this Section shall have been entered into (each such new Airport Lease Extension Agreement being herein also sometimes referred to as an "Applicable Airport Lease Extension Agreement"), and

(iii) the Current Lease shall have not been extended to or beyond the Final Lease Extension Date,

then and only then the Port Authority hereby agrees but only as set forth in paragraph (d)(3) of this Section and subject to all the terms and conditions in this paragraph (d) and paragraphs (e) and (f) of this Section, to extend the term of the letting under the Current Lease then in effect from the Current Lease Expiration Date set forth in said Current Lease to the earlier to occur of the Final Lease Extension Date or the day immediately preceding the expiration date of the Airport Lease set forth in said Applicable Airport Lease Extension Agreement, which new Current Lease Expiration Date shall be set forth in a Paragraph (d) Extension Supplement as hereinafter set forth, provided, however, in no event shall the term of the letting under the Current Lease be extended pursuant to this paragraph (d) unless all of the terms and conditions set forth in paragraphs (d)(2), (d)(3), (e) and (f) of this Section have been complied with and all of the following additional terms and conditions shall also have been complied with:

(A) Both immediately and at all times prior to the effective date of the Applicable Airport Lease Extension Agreement and both immediately and at all times prior to the date of the Port Authority's execution and delivery of the Paragraph (d) Extension Supplement arising from said Applicable Airport Lease Extension Agreement:

(aa) the term of the letting under the Current Lease shall be in full force and effect or if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, such Permitted Tenancy shall be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy then, in addition to the foregoing, neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of such Permitted Tenancy;

(cc) the Port Authority shall not be in receipt of, nor have given or served, any valid notice of termination of the Port Authority's tenancy, possession, use, occupancy or other interest or estate in the Airport, including without limitation the Premises, whether under the Airport Lease, any hold over or other tenancy, occupancy or use or otherwise;

(dd) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, the Lessee shall additionally be in full compliance with the terms, provisions, covenants and conditions of such Permitted Tenancy set forth in paragraphs (e) and (f) hereof, on its part to be kept, performed and observed; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled "Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Paragraph (d) Extension Supplement shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(ee) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(ff) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(gg) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date;

(hh) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof; and

(ii) none of the Triggering Events listed in Exhibit 52.1 shall have occurred.

(B) All of the Required Conditions shall have occurred; and

(C) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (A)(aa) through (A)(ii) and subparagraph (B) above.

(2) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the term of the letting under the Current Lease or to enter into any Paragraph (d) Extension Supplement pursuant to this paragraph (d) unless and until the Applicable Airport Lease Extension Agreement extending the Airport Lease beyond December 27, 2015 or beyond the Current Lease Expiration Date set forth in such Current Lease is fully entered into and is in full force and effect and all the other terms and conditions of this paragraph (d) have been complied with and unless such extension of the letting of the Premises to the Lessee and the resulting "Paragraph (d) Extension Supplement" would not be contrary to, inconsistent or conflict with or violative of the terms and provisions of paragraphs (e) or (f) or of this Section. Further, in any event when the Current Lease has expired by its express written terms whether on the occurrence of the Current Lease Expiration Date or otherwise and whether or not there is a Permitted Tenancy, the Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to not terminate, any use, occupancy, possession, tenancy or letting of the Premises by the Lessee which may occur after such expiration or to accept or not accept any rentals from the Lessee, it being understood and agreed however that the rights of the Port Authority to terminate any Permitted Tenancy shall be as set forth in the Current Lease.

(3) (i) In the event there is both (i) an Applicable Airport Lease Extension Agreement, as aforesaid in subparagraph (d)(1) above which complies with all of the requirements for an Airport Lease Extension Agreement set forth in paragraph (a)(2) above,

extending the Airport Lease beyond the day immediately following the Current Lease Expiration Date set forth in the Current Lease then in effect and (ii) all of the terms and conditions set forth in paragraphs (d)(1) and (d)(2) of this Section have been complied with, and only in such event, the new expiration date of the term of the letting under the Current Lease shall be set forth in a supplement to the Current Lease prepared by the Port Authority and sent to the Lessee for execution by it; which supplement shall extend the term of the letting thereunder to the earlier to occur of the Final Lease Extension Date or the day immediately preceding the expiration date of the Airport Lease set forth in said Applicable Airport Lease Extension Agreement giving rise to such extension of the letting hereunder and shall include such other additional terms and provisions as the Port Authority may determine appropriate, it being understood that said proposed supplement shall not change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing said proposed supplement may require the Lessee to pay to the Port Authority any or all of the Port Authority's increased costs under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy (but the Lessee shall not be obligated to have paid the Port Authority more that once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, the Current Lease (as the same may be supplemented by the Paragraph (d) Extension Supplement, if any, arising from said Applicable Airport Lease Extension Agreement), or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(ii) Within thirty (30) days after the Port Authority has sent to the Lessee the said proposed supplement referred to in subparagraph (i) above, the Lessee shall properly execute and return the said proposed supplement to the Port Authority for its execution and delivery. In the event the Lessee fails so to properly execute and return the said proposed supplement to the Port Authority then the Port Authority shall have no further or other obligation with respect to any proposed extension of the letting under the Current Lease under this paragraph (d) or with respect to any other extension of the letting of the Premises to the Lessee or any other letting of the Premises to the Lessee and there shall be no extension of the term of the letting of the Premises to the Lessee pursuant to this paragraph (d) or otherwise to the Final Lease Extension Date or to any other date, and the respective rights and obligations of the parties regarding the Lessee's use, occupancy and possession of the Premises after December 27, 2015 or later Current Lease Expiration Date, if any, shall be as set forth in and subject to paragraphs (e) and (f) hereof.

(iii) If the said supplement is fully and duly executed and delivered by both the Port Authority and the Lessee, upon such execution and delivery the same shall be a "Paragraph (d) Extension Supplement" and the expiration of the term of the letting hereunder set forth in said Paragraph (d) Extension Supplement shall be and become the Current Lease Expiration

Date until a subsequent Paragraph (d) Extension Supplement, if any, is executed as provided for and in accordance with this paragraph (d) extending the term of the letting hereunder beyond said Current Lease Expiration Date, provided, however, when and if the term of the Current Lease is extended to the Final Lease Extension Date, then the Paragraph (d) Extension Supplement containing such Final Lease Extension Date shall be the final Paragraph (d) Extension Supplement and the Port Authority shall have no further obligation whatsoever to extend the term of the letting under the Current Lease or to enter into any other Paragraph (d) Extension Supplement.

(e) (1) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the Basic Lease and the term of the letting thereunder beyond December 31, 2015 or to any other date, or to enter into any New Airport Lease or to extend the term of the letting thereunder, or to enter into any Airport Lease Extension Agreement, or to become the owner of the fee in the Airport or in the Premises, or to enter into, complete or effect a Fee Transfer Agreement, a Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease, and nothing in this Lease shall impose or be deemed to impose any obligation, duty, responsibility or liability whatsoever on the Port Authority to extend the Basic Lease and the term of the letting thereunder beyond December 31, 2015 or to any other date, or to enter into any New Airport Lease or to extend the term of the letting thereunder, or to enter into any Airport Lease Extension Agreement, or to become the owner of the fee in the Airport or in the Premises, or to enter into, complete or effect a Fee Transfer Agreement, a Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease, or to enter into, hold or continue any discussions or negotiations with the City of New York or any other Person or entity with respect thereto. The Port Authority shall have full, complete and sole right and discretion to discuss, negotiate and to enter into or not discuss, negotiate or enter into any agreement with the City of New York or any other Person or entity for any extension of the term of the Basic Lease or for any New Airport Lease or for any Airport Lease Extension Agreement or for any Fee Transfer Agreement or for any Fee Transfer Date or for any other agreement of lease or other transaction, sale or transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport

or the Premises after the expiration the Airport Lease, and as to any and all of the terms and conditions of any such extensions or other agreements, and neither this Section nor paragraphs (c), (d) or (f) of this Section 3 nor anything contained therein shall or shall be deemed to impair, limit or affect the said right and discretion of the Port Authority or to grant to the Lessee or any other Person or entity any right, claim or remedy hereunder or otherwise with respect to the Basic Lease, any New Airport Lease, any Airport Lease Extension Agreement, or any extension or non-extension of the term thereof, or with respect to any Fee Transfer Agreement or any Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right in or with respect to the Airport or the Premises in or of the Port Authority after the expiration of the Airport Lease, or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration or termination of the Airport Lease. The Lessee hereby expressly understands, acknowledges, agrees and accepts that the Port Authority hereby makes no promises, representations, assurances, agreements or commitments of any kind whatsoever that it will undertake or enter into any discussions, negotiations, or agreements with the City of New York or any other Person or entity with respect to any extension of the Airport Lease, any New Airport Lease, any Airport Lease Extension Agreement, any Fee Transfer Agreement or any Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease.

(2) (i) Without limiting or affecting any of the terms and conditions of Section 26 hereof entitled "Surrender", Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted", the Lessee covenants and agrees as follows: The Current Lease and the letting of the Premises to the Lessee shall be subject, subordinate and subservient to the Airport Lease and the Fee Transfer Agreement and the Fee Transfer Date, as the case shall be, and to the tenancy, estate, interests and rights of the Port Authority in or with respect to the Airport or under the Airport Lease including any and all Airport Lease Extension Agreements and to any and all terms and provisions thereof which affect or may affect the terms and provisions of the Current Lease and subject to the Port Authority's right and election to or not to continue or defend any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport. Without limiting the generality of the foregoing, the Lessee's use, occupancy and possession of, and the Lessee's rights, interests, tenancy and estate in and with respect to, the Premises, including without limitation any Permitted Tenancy, shall at all times be and remain subordinate, subservient and subject to the Port Authority's use, occupancy, possession, rights, interests, tenancy and estate in and with respect to the Premises and the Airport.

(ii) In addition, the Lessee covenants and agrees that no act or omission of the Lessee shall serve to defeat or deny, be adverse to, or be inconsistent or interfere with, the Port Authority's use, occupancy, possession, claims, rights, interests, tenancy or estate in or with respect to the Airport or any portion thereof, including without limitation the Premises, or the landlord tenant relationship between the Port Authority (as landlord) and the Lessee (as tenant). Further, the Lessee covenants and agrees that it shall not do anything or take any action (including without limitation entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) the intent, effect or result of which would defeat or deny, be adverse to, or be inconsistent or interfere with, the Port Authority's use, occupancy, possession, claims, rights, interests, tenancy or estate in or with respect to the Airport or any portion thereof, including without limitation the Premises. Without limiting the foregoing, for such period as the Port Authority shall use, occupy or possess, or shall have any right, interest or estate in or with respect to or shall have any claim to the use, occupancy or possession of, the Airport or the Premises, the Lessee shall not attorn to, or become the tenant of, any Person or entity (other than the Port Authority) and the Lessee at all such times as it shall use, occupy or possess the Premises shall do so as the tenant of the Port Authority and not of the City of New York or of any other Person or entity (other than the Port Authority) and all payments of rentals payable under the Current Lease, including without limitation during any Permitted Tenancy, and payments for use and occupancy of the Premises shall be payable and paid by the Lessee to the Port Authority and to no other Person or entity. Without limiting any of the foregoing, no act or omission of the Lessee (including without limitation the Lessee entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) shall result in or have the effect of resulting in the Lessee having any use, occupancy, possession, tenancy, estate, right, claim or interest in the Premises or the Airport (i) which would be superior, equal or adverse to that of the Port Authority or (ii) which would become effective prior to the time that the Port Authority shall have surrendered, delivered or transferred its possession, use and/or occupancy of the Airport and the Premises or prior to the time that all of the Port Authority's claims, interests, rights, tenancy and estate in and with respect to, and its possession, use and/or occupancy of, the Airport and the Premises shall have been extinguished or (iii) which would result or effect an attornment by the Lessee to the City or to any other Person or entity (other than the Port Authority). Further, the Lessee covenants and agrees that it shall not do anything or take any action (including without limitation entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) the intent, effect or result of which would be the Lessee having any use, occupancy, possession, tenancy, estate, right, claim or interest in the Premises or the Airport (i) which would be superior, equal or adverse to that of the Port Authority or (ii) which would become effective prior to the time that the Port Authority shall have surrendered, delivered or transferred its possession, use and/or occupancy of the Airport and the Premises or prior to the time that all of the Port Authority's claims, interests, rights, tenancy and estate in and with respect to, and its possession, use and/or occupancy of, the

Airport and the Premises shall have been extinguished or (iii) which would result or effect an attornment by the Lessee to the City or to any other Person or entity (other than the Port Authority).

(iii) The Lessee shall execute such documents and instruments, make such representations, certifications and warranties and provide such other cooperation, as may be requested by the Port Authority, to effectuate and complete such proposed Fee Transfer Agreement and Fee Transfer Date.

(3) It is expressly understood and agreed that the Port Authority shall have no obligation hereunder or otherwise to make any payment to the Lessee, including without limitation any payment of the Lessee's Unamortized Redevelopment Investment, in the event for any reason there is no extension of the term of the letting hereunder beyond December 27, 2015 or if there is no Permitted Tenancy thereafter or, if there is any extension of the term of the letting hereunder beyond December 27, 2015, there is no extension of the term of the letting under the Current Lease to the Final Lease Extension Date or no Permitted Tenancy after any Current Lease Expiration Date and that nothing in this Section including without limitation paragraphs (c) and (d) hereof nor anything contained therein nor any action taken or not taken under this Section or as a result thereof shall or shall be deemed to impose any such obligation on the Port Authority or to constitute any agreement, duty, responsibility or liability of the Port Authority for any such payment.

(4) Nothing in this Section 3, nor the operation thereof, nor any rights granted thereby, nor any action taken or not taken thereunder, shall or shall be deemed to release or relieve the Lessee from any liability or obligation to the Port Authority under this Lease or otherwise or to waive, impair, alter, limit or restrict any of the rights or remedies of the Port Authority in law or in equity under this Lease or otherwise. Without limiting the generality of the foregoing, the Lessee understands and agrees that nothing in this Section shall or shall be deemed to have to waived, impaired, altered, limited or restricted the Lessee's obligations under Section 26 hereof entitled "Surrender"or Section 28 hereof entitled "Effect of Basic Lease"or to have granted to the Lessee any rights whatsoever whether under this Lease, the Current Lease or otherwise which would be contrary to, a breach of, or conflict or be inconsistent with, the terms and conditions of said Sections or with the Basic Lease or the Airport Lease. Without limiting the generality of the foregoing, in the event the Lessee or any Person or other entity claiming by, through or under the Lessee is in use, occupancy or possession of the Premises or any portion thereof in violation of any the foregoing or any other term or condition of the Current Lease, the Port Authority, in addition to and without limiting any of its other rights and remedies, may recover from the Lessee any and all damages whatsoever resulting from or in connection therewith, including without limitation, direct, indirect and consequential damages and those which may be unforeseen.

(5) In no event shall the Current Lease, or the letting thereunder, or any

Permitted Tenancy, be or be deemed to be by the provisions of this Agreement or by operation of law or otherwise an assignment thereof or of the Airport Lease in whole or in part. It is the express intention of the parties hereto that unless there shall have been a Fee Transfer Date, the Lessee's right hereunder to possess, occupy and use the Premises shall (subject to any and all rights of termination by the Port Authority) in any and all events expire, unless sooner terminated by the Port Authority, not later than the day preceding the expiration of the Port Authority's rights of possession, occupancy and/or use with respect to the Premises and, accordingly, until all of the Port Authority's rights of possession, use and/or occupancy with respect to the Premises shall have been terminated, the Port Authority shall and shall be deemed to have and to have retained a reversionary interest of at least one day prior to the date that the Lessee's right of possession, occupancy and/or use of the Premises shall have expired or shall have been terminated and any tenancy, possession, use or occupancy of the Premises by the Lessee shall be subject and subordinate to such reversionary interest of the Port Authority.

(6) The Lessee understands and agrees that the terms and conditions of paragraphs (c), (d) and paragraph (f) hereof shall be in all respects subject to, subordinate, and subservient to the terms and conditions of this paragraph (e) and, in the event that any of the terms and conditions of paragraphs (c), (d) or paragraph (f) are inconsistent or conflict with, or are contrary to, or violate any of the terms and conditions of this paragraph (e) or Sections 26 or 28 hereof whether expressly or by the operation thereof pursuant to law, equity or otherwise, that the terms and conditions of this paragraph (e) and Sections 26 and 28 hereof shall in all respects be controlling, determinative and effective.

(7) Without limiting the generality of the terms and conditions of Section 13 hereof entitled "Indemnity and Liability Insurance", the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands whatsoever including without limitation direct, indirect, consequential or unforeseen damages, of third persons resulting from or in connection with any of the terms and conditions of this Section 3 or any Permitted Tenancy or any of the rights granted to the Lessee by this Section or the exercise thereof or any breach of or default under the Basic Lease by the Port Authority on account thereof, including without limitation, any use, occupancy or possession of the Premises by the Lessee upon the expiration or termination of the Basic Lease or any Airport Lease or any Permitted Tenancy, the foregoing to include without limitation all claims and demands of the City of New York or any other Person or entity claiming on behalf of, by, under or through the City, for indemnification or otherwise, arising by operation of law or through agreement of the Port Authority with the said City. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any

defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(f) (1) In the event that the Current Lease Expiration Date shall have occurred and the Port Authority shall continue without interruption the use, occupancy and possession of the Airport, including without limitation the Premises, with the permission of the City (it being understood and agreed that for the purpose of the foregoing no occupancy, use or possession of any portion of the Airport by, under or through the Lessee shall or shall be deemed to be any use, occupancy or possession of the Airport, including the Premises, by the Port Authority), then for so long as the Port Authority's use, occupancy and/or possession of the Airport with the permission of the City (the foregoing to exclude as aforesaid any use, occupancy and/or possession of any portion of the Airport by, through or under the Lessee) shall continue without interruption and without a Fee Transfer Date or a Paragraph (d) Extension Supplement, the Lessee's continued and uninterrupted use, occupancy and possession of the Premises, subject to the terms and provisions of paragraph (f)(2) below, shall for the purposes of this Section be a "Permitted Tenancy", provided, however, all the terms and provisions of paragraph (f)(2) below shall have been satisfied and further that such use, occupancy such Permitted Tenancy shall be subject to the following terms and conditions:

(aa) No Permitted Tenancy shall continue beyond, and shall in all events end upon, the earliest to occur of (i) the Final Lease Expiration Date or (ii) one day prior to the earlier to occur of the surrender or delivery by the Port Authority of its use, occupancy or possession of the Airport; it being understood and agreed that no occupancy, use or possession of any portion of the Airport by, under or through the Lessee shall or shall be deemed to be any use, occupancy or possession of the Airport, including the Premises, by the Port Authority for the purpose of the foregoing or (iii) one day prior to the date that all of the rights of the Port Authority to use, occupy or possess the Airport shall have been terminated or (iv) the effective date of a Paragraph (c) Extension Supplement or any Paragraph (d) Extension Supplement, provided, however, no Permitted Tenancy shall in any event continue after the 30th day after the Port Authority shall have delivered to the Lessee a proposed paragraph (c) extension supplement pursuant to paragraph (c) of this Section or after the 30th day after the Port Authority shall have delivered to the Lessee a proposed paragraph (d) extension supplement pursuant to paragraph (d) of this Section, and

(bb) All the terms and conditions of the Current Lease, including without limitation all the terms and conditions of this Section, shall apply and pertain to any Permitted Tenancy except that in addition to the rentals set forth in Section 4 hereof or elsewhere in the Current Lease the Lessee shall pay to the Port Authority a further additional rental equal to all of the Port Authority's increased costs under, arising out of, or resulting

from, the Port Authority's use, occupancy and/or possession of the Airport during the time that any Permitted Tenancy shall be in effect which are directly or proportionately attributable or related to the Premises, the Current Lease, the Lessee or the Permitted Tenancy, which additional rental shall be in such amount as shall be billed by the Port Authority to the Lessee and shall be paid by the Lessee to the Port Authority within ten (10) days of receipt of the bill therefor, provided, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(2) In no event shall there be any Permitted Tenancy unless on, and at all times prior to, the Current Lease Expiration Date all of the following terms and conditions shall have been complied with:

(aa) the term of the letting under the Current Lease be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease;

(cc) the Port Authority shall not be in receipt of, nor have given or served, any valid notice of termination of the Port Authority's tenancy, possession, use, occupancy or other interest or estate in the Airport, including without limitation the Premises, whether under the Airport Lease, any hold over or other tenancy, occupancy or use or otherwise;

(dd) neither the City nor any other Person or entity claiming on behalf of, by or under the City shall have commenced any action or proceeding in a court of competent jurisdiction against the Port Authority or the Lessee or the interest or estate of the Port Authority or the Lessee for the use, occupancy or possession of the Premises or the Airport or other relief or damages in connection with possession of the Premises or the Airport, whether by way of an action for ejectment, eviction, summary proceedings or otherwise, provided, however, that where such action or proceeding shall have so commenced and the same is resolved or decided so that all of the terms and conditions set forth in this paragraph (f) are fully satisfied, including without limitation the continued, uninterrupted possession of the Airport by the Port Authority with the permission of the City and the continued, uninterrupted possession of the Premises by the Lessee, then said commencement of such action or proceeding shall not prevent the Permitted Tenancy;

(ee) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed on the Current Lease Expiration Date; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled

"Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Permitted Tenancy shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(ff) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(gg) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(hh) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date;

(ii) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof;

(jj) none of the Triggering Events listed in Exhibit 52.1 shall have occurred;

(kk) there shall have been no preceding Fee Transfer Date,

(ll) the Current Lease shall have not been extended to or beyond the Final Lease Extension Date,

(mm) All of the Required Conditions shall have occurred; and

(nn) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (aa) through (mm) above.

(3) Notwithstanding subparagraph (1) of this paragraph (f), nothing in this paragraph shall or shall be deemed to grant any rights in the Lessee to cause or be the reason for the Port Authority to be in breach of the Airport Lease or of any of the Port Authority's covenants or obligations to the City or to any other Person with respect to the use, occupancy or possession of the Premises by, through or under the Port Authority or by, through or under the Lessee and the

Lessee hereby expressly covenants and agrees that at no time shall the Lessee's use, occupancy or possession of the Premises cause or result in any breach of the Airport Lease or of any of the covenants or obligations of the Port Authority to the City or any other Person or entity or be the basis upon which any claim or demand is made against the Port Authority by the City or any other Person or entity. Further, nothing in this paragraph shall or shall be deemed to have created any obligation whatsoever in the Port Authority to continue in or defend any use, occupancy or possession of the Airport or the Premises by the Port Authority, the Lessee or other Person or entity after any Current Lease Expiration Date and the terms and conditions of this paragraph (f) shall be in all respects subject to, subordinate, and subservient to the terms and conditions of paragraph (e) of this Section, including without limitation, that any Permitted Tenancy shall be in all respects subject to, subordinate, and subservient to the Port Authority's use, occupancy, possession, rights, interests, tenancy and estate in and with respect to the Premises and the Airport.

(4) It is hereby agreed that no Permitted Tenancy shall or shall be deemed to be a hold over tenancy and nothing in this paragraph shall or shall be deemed to have created any obligation in the Port Authority or any right or interest in the Lessee or to any other Person or entity for the Lessee to be or become a hold over tenant of or under the Port Authority, provided, however, that all the terms and conditions of the Current Lease with respect to month-to-month periodical tenancies, including without limitation Sections 52 and 53 thereof, shall remain and be in full force and effect during the term of any Permitted Tenancy.

(g) Without limiting any other term or provision hereof, all the terms and provisions of this Section and the obligations of the Lessee thereunder shall survive the expiration or earlier termination of the letting under this Lease or shall survive any under any Current Lease and the expiration or earlier termination of any Permitted Tenancy

Section 4. Rental

Without affecting the rentals or the payment thereof under the Lease prior to the Effective Date, it is hereby agreed that from and after the Effective Date the rentals payable by the Lessee to the Port Authority under the Lease shall be as follows:

I. Definitions:

For the purposes of the Lease the following terms shall have the respective meanings given below:

(a) "Adjustment Period" shall mean as the context requires the twelve-month period commencing on January 1, 2001 and expiring on December 31, 2001, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on each January 1 and in the event the Lease expires or is terminated on other than the last day of an Adjustment Period then in such event "Adjustment Period" shall mean the actual number of days during such Adjustment Period that the Lease was in effect.

(b) "Area IA and IB Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Building No. 57 Area IA and the Building No. 57 Area IB pursuant to and calculated in accordance with the terms of paragraph (b) of Subdivision II this Section.

(c) "Area I Building Area" shall mean the Building No. 57 Area IA, the Building No. 57 Area IB and the Building No. 57 Area IC.

(d) "Area I Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Area I Building Area pursuant to and calculated in accordance with the terms of paragraph (c) of Subdivision II this Section.

(e) "Area II Building Area" shall mean the interior space (as described in Subdivision IV below) as shown in diagonal hatching and the pedestrian connector as shown in stipple diagonal hatching on pages 4 and 5 of the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 4.1" (which exhibit is herein called "Exhibit 4.1").

(f) "Area II Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Area II Building Area pursuant to and calculated in accordance with the terms of paragraph (d) of Subdivision II of this Section.

(g) "Base Terminal Rental Rate" shall mean the rental rate calculating in accordance with and pursuant to paragraph (e)(1) below.

(h) "Building No. 57 Area IA" shall mean the interior space (as described in Subdivision IV below) designated by the letter "A", and more specifically including Area 3-A, Area 4-A, Area 7-A, Area 9-A, Area 14-A, Area 15-A, Area 16-A, Area 21-A, Area 26-A and Area 29-A as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(i) "Building No. 57 Area IB" shall mean the interior space (as described in Subdivision IV below) designated by the letter "B", and more specifically including Area 1-B, Area 2-B, Area 11-B, Area 12-B, Area 13-B, Area 18-B, Area 23-B, Area 25-B, Area 27-B and Area 28-B, as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(j) "Building No. 57 Area IC" shall mean the interior space (as described in Subdivision IV below) designated by the letter "C", and more specifically including Area 5-C, Area 6-C, Area 8-C, Area 10-C, Area 17-C, Area 19-C, Area 20-C, Area 22-C, Area 24-C, Area 30-C and Area 31-C, as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(k) "Building Rentals" shall collectively mean the Area I Building Rental

and the Area II Building Rental.

(l) "Building Rental End Date" shall mean the first day of the month after which all of the Required Conditions shall have first occurred.

(m) "CPI" or "Consumer Price Index" shall mean the Consumer Price Index for all Urban Consumers, New York-Northern New Jersey, Long Island, NY-NJ-CT (All Items, unadjusted 1982-84=100) published by the Bureau of Labor Statistics of the United States Department of Labor.

(n) "CPI Percentage Increase" shall mean the annual percentage increase, if any, in the CPI yielded by dividing the amount of the increase, if any, in the CPI for one Reference Month as compared to the CPI for the immediately preceding Reference Month, by the CPI for the earlier of the two Reference Months; as determined by the Port Authority.

(o) "Ground Rental" shall mean the rental payable by the Lessee to the Port Authority pursuant to and calculated in accordance with the terms of paragraph (a) of Subdivision II of this Section.

(p) "Reference Month" shall mean the month of December 1999 (the first Reference Month) and each succeeding month of December occurring during the remainder of the term of the letting under the Lease.

(q) "Rentals" shall collectively mean the Ground Rental, the Area IA and IB Building Rental, the Area I Building Rental and the Area II Building Rental.

(r) "Terminal Rental Adjustment Period" shall mean as the context requires the twelve-month period commencing on the first anniversary of the Terminal Rental Commencement Date and expiring on the day immediately preceding the second anniversary of the Terminal Rental Commencement Date, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on each anniversary of the Terminal Rental Commencement Date, provided, however, in the event the Terminal Rental Commencement Date is other than the first day of a calendar month, the "Terminal Rental Adjustment Period" shall mean as the context requires the twelve-month period commencing on the first day of the month in which the first anniversary of the Terminal Rental Commencement Date shall occur and expiring on the last of the month immediately preceding the month in which the second anniversary of the Terminal Rental Commencement Date shall occur, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on the first day of the month in which each succeeding anniversary date of the Terminal Rental Commencement Date shall occur, and provided, further, in the event the

Lease expires or is terminated on other than the last day of a Terminal Rental Adjustment Period then in such event "Terminal Rental Adjustment Period" shall mean the actual number of days during such Terminal Rental Adjustment Period that the Lease was in effect.

(s) "Terminal Rental" shall mean the rental payable by the Lessee to the Port Authority pursuant to and calculated in accordance with the terms of paragraph (e) of Subdivision II of this Section.

(t) "Terminal Rental Commencement Date" shall mean the earlier to occur of the 31st anniversary of the Effective Date or the 25th anniversary of the Redevelopment Work Completion Date.

(u) "Terminal Rental CPI Percentage Increase" shall mean the annual percentage increase, if any, in the CPI yielded by dividing the amount of the increase, if any, in the CPI for one Terminal Rental Reference Month as compared to the CPI for the immediately preceding Terminal Rental Reference Month, by the CPI for the earlier of the two Terminal Rental Reference Months; as determined by the Port Authority.

(v) "Terminal Rental Rate" shall mean the rental rate calculated by the Port Authority in accordance with the terms of paragraph (e) of Subdivision II of this Section.

(w) "Terminal Rental Reference Month" shall mean the month in which the Terminal Rental Commencement Date shall occur (the first Terminal Rental Reference Month) and each succeeding month in which an anniversary of the Terminal Rental Commencement Date shall occur during the remainder of the term of the letting under the Lease.

II. Rental:

(a) (1) Effective as of the Effective Date, the Lessee shall pay to the Port Authority a rental for the ground area shown in stipple and stipple diagonal hatching on Exhibit 1.1 (the "Ground Rental") at the rate of (Ex. 2.a.) per annum for the portion of the term of the letting from the Effective Date to December 31, 2000, both dates inclusive, which Ground Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the term of the letting under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2001, the Ground Rental shall be increased as follows: the Ground Rental set forth in paragraph (a)(1) above, shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002 and on the first day of each Adjustment Period occurring during the remainder of the term of the letting under the Lease, the Ground Rental shall be further increased for each Adjustment Period as follows: the amount of the Ground Rental set forth in paragraph (a)(1) above as the same may have been last adjusted under this paragraph (a), shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period.

(b) For the portion of the term of the letting from the Effective Date to December 31, 2002, both dates inclusive, the Lessee shall pay to the Port Authority a rental for the Building No. 57 Area IA and the Building No. 57 Area IB (the "Area IA and IB Building Rental") at the rate of per annum. (Ex. 2.a.)

(c) (1) Effective on January 1, 2003, the Lessee shall pay to the Port Authority a rental for the Area I Building Area (the "Area I Building Rental") at a rate per annum equal to the product obtained by multiplying 367,025 square feet by the Base Terminal Rental Rate in effect for the Adjustment Period commencing on January 1, 2003, which Area I Building Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End Date. From and after the Building Rental End Date, if any, there shall be no Area I Building Rental payable under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2004, the Area I Building Rental shall be increased as follows: the Area I Building Rental set forth in paragraph (c)(1) above, shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as

calculated using the two immediately preceding Reference Months (that is December 2002 and December 2003) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area I Building Rental in effect for the Adjustment Period commencing on January 1, 2004.

(ii) Effective on January 1, 2005, and on the first day of each Adjustment Period occurring during the remainder of the portion of the term of the letting under the Lease ending on the day immediately preceding Building Rental End Date, the Area I Building Rental shall be further increased for each Adjustment Period as follows: the amount of the Area I Building Rental set forth in paragraph (c)(1) above as the same may have been last adjusted under this paragraph (c), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area I Building Rental in effect for the Adjustment Period.

(d) (1) Effective as of the Effective Date, the Lessee shall pay to the Port Authority a rental for the Area II Building Area (the "Area II Building Rental") at the rate of (Ex. 2.a.) per annum for the portion of the term of the letting from the Effective Date to December 31, 2000, both dates inclusive, which Area II Building Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End Date. From and after the Building Rental End Date, if any, there shall be no Area I Building Rental payable under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2001, the Area II Building Rental shall be increased as follows: the Area II Building Rental set forth in paragraph (d)(1) above, shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area II Building Rental in effect for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002, and on the first day of each Adjustment Period occurring during the remainder of the portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End

Date, the Area II Building Rental shall be further increased for each Adjustment Period as follows: the amount of the Area II Building Rental set forth in paragraph (d)(1) above as the same may have been last adjusted under this paragraph (d), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area II Building Rental in effect for the Adjustment Period.

(e) From and after the Terminal Rental Commencement Date, the Lessee shall pay to the Port Authority a rental for all the interior portions of the Premises (the "Terminal Rental") as follows:

(1) (i) Effective on January 1, 2001, the amount of (which amount it is hereby agreed is the annual (Ex. 2.a.) per square foot rental for the Area II Building Area on the Effective Date and is hereinafter called the "Base Terminal Rental Rate") shall be increased as follows: the Base Terminal Rental Rate of shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Base Terminal Rental Rate for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002, and on the first day of each Adjustment Period occurring during the remainder of the term of the letting under the Lease up to and including the Terminal Rental Commencement Date, the Base Terminal Rental Rate shall be further increased for each Adjustment Period as follows: the amount of the Base Terminal Rental Rate set forth in paragraph (e)(1)(i) above as the same may have been last adjusted under this paragraph (e)(1), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Base Terminal Rental Rate for the Adjustment Period.

(2) The Port Authority shall determine the Terminal Rental Rate in effect on the Terminal Rental Commencement Date, which Terminal Rental Rate shall be equal to the product obtained by multiplying the number of square feet of interior space in the Premises on the Terminal Rental Commencement Date calculated on the basis set forth in Subdivision VI below, by the Base Terminal Rental Rate in effect during the Adjustment Period during which the Terminal Rental Commencement Date shall occur.

(3) (i) Effective on the Terminal Rental Commencement

Date, the Lessee shall pay to the Port Authority a Terminal Rental for the portion of the term of the letting under the Lease from the Terminal Rental Commencement Date to the last day of the month immediately preceding the month in which the first anniversary of the Terminal Rental Commencement Date occurs, both dates inclusive, at an annual rate equal to the product obtained by multiplying the Terminal Rental Rate in effect on the Terminal Rental Commencement Date by 33.33%, which Terminal Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the remainder of the term of the letting under the Lease.

(ii) The Port Authority shall ascertain the CPI for the first Terminal Rental Reference Month and for each succeeding Terminal Rental Reference Month after the same has been published, and the Port Authority shall also determine each Terminal Rental CPI Percentage Increase.

(iii) Effective on first day of the Terminal Rental Adjustment Period in which the first anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(i) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(i) above, shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the first anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 33.33%.

(iv) Effective on the first day of the Terminal Rental Adjustment Period in which the second anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(iii) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(iii) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the second anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 66.67%.

(v) Effective on the first day of the Terminal Rental Adjustment Period in which the third anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(iv) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(iv) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the third anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 66.67%.

(vi) Effective on first day of the Terminal Rental Adjustment Period in which the fourth anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(v) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(v) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the fourth anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the Terminal Rental Rate for such Terminal Rental Adjustment Period.

(f) (i) In the event the CPI is not available for any Reference Month, the Lessee shall continue to pay the Rentals at the annual rate then in effect subject to retroactive adjustment based upon the adjustment to the Rentals for such Adjustment Period when the CPI for such Reference Month becomes available. The Lessee hereby agrees to pay to the Port Authority all Rentals due and owing to the Port Authority on the basis of such retroactive adjustments on demand.

(ii) In the event the CPI is not available for any Terminal Rental Reference Month, the Lessee shall continue to pay the Terminal Rental at the annual rate then in effect subject to retroactive adjustment based upon the adjustment to the Terminal Rental for such Terminal Rental Adjustment Period when the CPI for such Terminal Rental Reference Month becomes available. The Lessee hereby agrees to pay to the Port Authority all Terminal Rental due and owing to the Port Authority on the basis of such retroactive adjustments on demand.

(g) In the event of the change of basis or the discontinuance of the publication by the United States Department of Labor of the CPI, such other appropriate index or indexes shall be substituted as may be agreed by the parties hereto as properly reflecting changes in the value of the current United States money in a manner similar to that established in the said indexes used in the latest adjustment. In the event of the failure of the parties to so agree, the Port Authority may select and use such index or indexes as it deems appropriate, provided, however, that the foregoing shall not preclude the Lessee from contesting the Port Authority's selection.

(h) In no event shall any adjustment in the Rentals for any change in the CPI result in a decrease in the Rentals, and in no event shall any adjustment in the Terminal Rental for any change in the CPI result in a decrease in the Terminal Rental, and in no event shall any adjustment in the Base Terminal Rental Rate for any change in the CPI result in a decrease in the Base Terminal Rental Rate.

III. Time of Payment of Rental

The Rentals hereunder shall be payable by the Lessee in advance in equal monthly installments on the Effective Date and on the first day of each and every calendar month thereafter occurring during the balance of the term of the letting under the Lease and the Terminal Rental hereunder shall be payable by the Lessee in advance in equal monthly installments on the Terminal Rental Commencement Date and on the first day of each and every calendar month thereafter occurring during the balance of the term of the letting. If any annual rental established hereunder shall be for less than a whole calendar year each monthly installment payable during such year shall be equal to one-twelfth (1/12th) of said annual rental. If any installment of rental payable hereunder shall be for less than a full calendar month then the rental payment for the portion of the month for which such payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

IV. Abatement

Except as set forth in Subdivision V below, in the event that the Lessee shall at any time by the provisions of this Agreement expressly be entitled to abatement of the rentals for the Premises, said abatement shall be computed as follows (it being understood that there shall be no abatement of such rentals under the Lease for any portion of the Premises or any portion of the term except as specifically provided in this Subdivision IV and in Subdivision V and, without limiting the generality of the foregoing, it is hereby understood that there shall be no abatement of any rentals for any portion of the Premises due to demolition of all or any portion of the Area I Building Area or the Area II Building Area performed as part of the Redevelopment Work):

(a) Ground Rental Abatement

For each acre of land in the Premises the use of which is denied to the Lessee:

(1) For the portion of the term of the letting from the Effective Date through December 31, 2000, both dates inclusive, at the daily rate of $191.78; and

(2) For the portion of the term of the letting from January 1, 2001 through the remainder of the term of the letting at the daily rate of $191.78 as appropriately adjusted to reflect any and all adjustments in the Ground Rental pursuant to paragraph (a) of Subdivision II of this Section.

(b) Area IA and IB Building Rental Abatement

For each square foot of the 250,000 square feet of interior space in Building No. 57 Area IA and in Building No. 57 Area IB, the use of which is denied to the Lessee, for the portion of the term of the letting from the Effective Date through December 31, 2002, at the daily rate of $.038356, it being understood and agreed there shall be no abatement for any space in the Building No. 57 Area IC during such period.

(c) Area I Building Rental Abatement

For each square foot of the 367,025 square feet of interior space in the Area I Building Area, the use of which is denied to the Lessee:

(1) For the portion of the term of the letting under the Lease from January 1, 2003 to December 31, 2003, both dates inclusive, at a daily rate equal to the Base Terminal Rental Rate in effect for the Adjustment Period commencing on January 1, 2003, as the same may be reduced by the provisions of paragraph (c)(3) below; and

(2) For the portion of the term of the letting from January 1, 2004 and ending on the day immediately preceding the Building Rental End Date, at the daily rate set forth in paragraph (c)(1) above as appropriately adjusted to reflect any and all adjustments in the Area I Building Rental pursuant to paragraph (c) of Subdivision II of this Section, as the same may be reduced by the provisions of paragraph (c)(3) below.

(3) At any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(1) of Subdivision V below, the abatement rates set forth in paragraphs (c)(1) and (c)(2) of this Subdivision IV shall be reduced by multiplying such rates by 66.67%; and at any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(2) of Subdivision V below, the abatement rates set forth in paragraphs (c)(1) and (c)(2) of this Subdivision IV shall be

reduced by multiplying such rates by 33.33%.

(4) From and after the Building Rental End Date there shall be no abatement of the Area I Building Rental.

(d) Area II Building Rental Abatement

For each square foot of the 306,467 square feet of interior space in the Area II Building Area, the use of which is denied to the Lessee:

(1) For the portion of the term of the letting from the Effective Date through December 31, 2000, both dates inclusive, at the daily rate of $.076712, as the same may be reduced by the provisions of paragraph (d)(3) below; and

(2) For the portion of the term of the letting from January 1, 2001 and ending on the day immediately preceding the Building Rental End Date, at the daily rate of $.076712 as appropriately adjusted to reflect any and all CPI adjustments pursuant to paragraph (d) of Subdivision II above, as the same may be reduced by the provisions of paragraph (d)(3) below.

(3) At any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(1) of Subdivision V below, the abatement rates set forth in paragraphs (d)(1) and (d)(2) of this Subdivision IV shall be reduced by multiplying such rates by 66.67%; and at any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(2) of Subdivision V below, the abatement rates set forth in paragraphs (d)(1) and (d)(2) of this Subdivision IV shall be reduced by multiplying such rates by 33.33%.

(4) From and after the Building Rental End Date there shall be no abatement of the Area II Building Rental.

(e) Terminal Rental Abatement

For each square foot of interior space in the Premises, the use of which is denied to the Lessee:

(i) For the portion of the term of the letting from the Terminal Rental Commencement Date and ending on the day immediately preceding the first Terminal Rental Adjustment Period, at a daily rate equal to the quotient obtained by dividing the Terminal Rental in effect for such portion of the term of the letting by the number of square feet in the interior portion of the Premises on the Terminal Rental

Commencement Date.

(ii) For each Terminal Rental Adjustment Period, at a daily rate equal to the quotient obtained by dividing the Terminal Rental in effect for such Terminal Rental Adjustment Period by the number of square feet in the interior portion of the Premises on the Terminal Rental Commencement Date.

V. Additional Building Rental Abatement:

(a) In addition to the abatement of rentals set forth in Subdivision IV above, the Building Rentals shall be partially abated up to and including the earlier to occur of the day immediately preceding Building Rental End Date or the day immediately preceding the tenth (10th) anniversary of the Effective Date, as follows:

(1) For the period commencing on the later to occur of (i) the second (2nd) anniversary of the Effective Date or (ii) the first day of the month after the month in which the Lessee shall have made a Redevelopment Work Investment totaling ((Ex. 2.a) to and including the later to occur of (i) the day immediately preceding the fourth (4th) anniversary of the Effective Date or (ii) the last day of the month during which the Lessee shall have made a Redevelopment Work Investment totaling (Ex. 2.a.) the Building Rentals set forth in paragraphs (c) and (d) of Subdivision II of this Section shall be partially abated by an amount equal to the product obtained by multiplying the same by 33.33%, and for such period the Building Rentals shall be abated by the amount of such product, provided, however, in no event shall the Lessee be entitled to an abatement of Building Rentals pursuant to this subparagraph (1) from and after the tenth (10th) anniversary of the Effective Date; and

(2) For the period commencing on the later to occur of (i) the fourth (4th) anniversary of the Effective Date or (ii) the first day of the month after the month in which the Lessee shall have made a Redevelopment Work Investment totaling to and including the earlier to occur of the day immediately preceding the Building Rental End Date, if any, or the day immediately preceding the tenth (10th) anniversary of the Effective Date, the Building Rentals set forth in paragraphs (c) and (d) of Subdivision II of this Section (and not as abated pursuant to subparagraph (1) of this Subdivision V) shall be partially abated by an amount equal to the product obtained by multiplying the same by 66.66%, and for such period the Building Rentals shall be abated by the amount of such product, provided, however, in no event shall the Lessee be entitled to an abatement of Building Rentals pursuant to this subparagraph (2) from and after the tenth (10th) anniversary of the Effective Date.

VI. For the purposes of this Section, all of the interior space shall be measured and the same shall be ascertained by measuring between the interior plaster surfaces of the exterior building walls, and no deductions will be made therefrom for columns, pilasters, projections, partitions, toilets, vertical shafts, elevator shafts, stairs, fire towers, vents, pipe shafts, meter closets, flues, stacks, structures or facilities of any kind or anything else located therein.

Section 5. Use of Premises

(a) The Lessee, in connection with its business of transportation by aircraft, may use the Premises for the following purposes and for activities reasonably required for such purposes and for such purposes and activities only:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of the Lessee at the Airport. The occasional reservation of space and the sale of tickets for transportation by other carriers shall not be deemed to be prohibited by this provision.

(3) For the clearance, checking and rendering of service to passengers of the Lessee and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests, or invitees, subject to the provisions of Section 63 hereof entitled "Club Rooms".

(5) For the handling of baggage of passengers of the Lessee including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles.

(7) For the conduct of operations, traffic, communications, reservations and administrative office functions and activities in connection with air transportation performed by the Lessee.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee.

(9) For the storage of repair parts, supplies and other personal property owned or leased by the Lessee and for the performance of minor repairs to personal property of the Lessee.

(10) For the storage of such automotive fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over-the-counter sales to officers and employees of the Lessee or of any Subsidiary of the Lessee and their families and to occasional business guests of such officers and employees (other than passengers of the Lessee), of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee and either directly by the Lessee or through a Subsidiary thereof or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of the Lessee during layovers between flights and for the establishment of lounges for employees of the Lessee.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies, provided that the use of the Premises for the unloading and loading of passengers and their baggage from ground transportation vehicles shall be subject to limitation and restriction, from time to time, as set forth in Section 62 hereof entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways-Use of Airport Taxi Dispatchers and Roadway Frontage Management".

(14) For the parking and storage of aircraft and ramp equipment operated by the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by the Lessee and for the maintenance of ramp equipment operated by the Lessee.

(16) For the performance of aircraft maintenance, subject to the limitations imposed by paragraph (j) of Section 9 hereof entitled "Prohibited Acts".

(17) For the training of personnel employed or to be employed by the Lessee or other Persons engaged in commercial transportation by aircraft, provided, that unless consented to by the Port Authority, the Lessee shall not engage in the training of persons employed by others or to be employed by others if the training of such persons is in competition with any concessionaire, permittee or licensee of the Port Authority at the Airport (other than another Person engaged in the business of transportation by aircraft).

(18) For the temporary storage of baggage, mail and air cargo.

(19) For Federal Inspection Service(s) by federal agencies (if the United States Government makes the same available to the Lessee).

(20) For any other purpose or activity, in addition to those specified in this Section, for which the Premises are expressly authorized to be used by any other provision of this Agreement.

(b) The loading or unloading on the Premises of all aircraft used principally for cargo is expressly prohibited. Further, notwithstanding any other term or provision of this Lease, including without limitation, any reference to Handled Airlines, Requesting Airline, Accommodated Handled Airline, Accommodated Sublessee Airline or Associated or Affiliated Companies, it is understood and agreed that the Lessee is prohibited hereunder from performing any services for any other Aircraft Operator without the prior written consent of the Port Authority, which consent the Port Authority shall have no obligation whatsoever to give.

Section 6. Compliance with Governmental Requirements

(a) The Lessee shall promptly comply with, observe and execute all laws and ordinances and governmental rules, regulations, orders, requirements and similar items, including without limitation, all Environmental Requirements, now or at any time during the term of this Agreement which as a matter of law are applicable to or which affect (i) the Premises or the groundwater thereunder, (ii) the operations of the Lessee at the Premises or the Airport, (iii) the occupancy and use of the Premises and/or (iv) any Hazardous Substance which has migrated from or from under the Premises; it being expressly agreed and understood the foregoing obligations of the Lessee shall include without limitation the ACO and all the work required to be performed thereunder. The Lessee shall, in accordance with and subject to the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" or Section 33 hereof entitled "Other Construction of the Lessee", as the case shall be, make any and all structural and non-structural improvements, alterations or repairs of the Premises and perform all remediation, containment and clean-up of Hazardous Substances required in order to fully satisfy the compliance obligations set forth herein.

(b) The Lessee shall procure from all Governmental Authorities having jurisdiction over the operations of the Lessee hereunder all licenses, certificates, permits or other authorization which may be necessary for the conduct of such operations. "Governmental Authority" shall not be construed as intending to include The Port Authority of New York and New Jersey, the lessor under this Agreement.

(c) The obligation of the Lessee to comply with governmental requirements is provided herein for the purpose of assuring proper safeguards for the protection of persons and property on the Premises. Such provision is not to be construed as a submission by the Port

Authority to the application to itself of such requirements or any of them.

(d) Since the Port Authority has agreed in the Basic Lease to conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, the Lessee shall comply with all such enactments, ordinances, resolutions and regulations which would be applicable to its operations hereunder if the Port Authority were a private corporation, except in cases where the Port Authority either notifies the Lessee that it need not comply with or directs it not to comply with any such enactments, ordinances, resolutions or regulations which are applicable only because of the Port Authority's agreement in the Basic Lease. The Lessee shall, for the Port Authority's information, deliver to the Port Authority promptly after receipt of any notice, warning, summons, or other legal process for the enforcement of any such enactment, ordinance, resolution or regulation a true copy of the same. Any direction by the Port Authority to the Lessee not to comply with any such enactment, ordinance, resolution or regulation shall be given only pursuant to a resolution duly adopted by the Board of Commissioners of the Port Authority or by an authorized committee of its Board and if any such direction is given by the Port Authority to the Lessee, the Port Authority, to the extent that it may lawfully do so, shall indemnify and hold the Lessee harmless from and against all claims, actions, damages, liabilities, fines, penalties, costs and expenses suffered or incurred by the Lessee as a result of non-compliance with such enactment, ordinance, resolution or regulation.

(e) The Lessee shall have such time within which to comply with the aforesaid laws, ordinances, rules and regulations as the authorities enforcing the same shall allow.

Section 7. Rules and Regulations

(a) The Lessee covenants and agrees to observe and obey (and to require its officers, employees, guests, invitees and those doing business with it to observe and obey) the existing Rules and Regulations of the Port Authority, and such reasonable future Rules and Regulations of the Port Authority (including amendments and supplements thereto) for the government of the conduct and operations of the Lessee and others on the Premises as may from time to time during the letting be promulgated by the Port Authority for reasons of safety, health, noise, sanitation or good order. The obligation of the Lessee to require such observance and obedience on the part of its guests, invitees and business visitors shall obtain only while such Persons are on the Premises. The Port Authority agrees that except in cases of emergency, it will give notice to the Lessee of every such future rule or regulation adopted by it at least ten (10) days before the Lessee shall be required to comply therewith.

(b) The use by the Lessee and its officers, employees, guests, invitees,

sublessees, and those doing business with it, of the Public Aircraft Facilities and any and all other portions of the Airport which it may be entitled to use under this Lease (other than space leased to the Lessee for its exclusive use) shall be subject to the Rules and Regulations of the Port Authority in effect as of the Effective Date, and such reasonable future rules and regulations (including amendments and supplements to existing Rules and Regulations) as the Port Authority may from time to time promulgate in the public interest and in the interest of health, safety, noise, sanitation, good order and the economic and efficient operation of the Airport, including but not limited to, the number and type of aircraft which at any particular time may use the Public Aircraft Facilities and the time or times when such aircraft may use the Public Aircraft Facilities. Without limiting the foregoing, the Port Authority may take into account in adopting such Rules and Regulations the adequacy, capacity and suitability of (i) aircraft using the Airport, (ii) passenger handling facilities at the Airport including but not limited to the AirTrain, (iii) the Public Aircraft Facilities at the Airport, (iv) the roadways and (v) the parking facilities. In the event the Port Authority promulgates rules and regulations pursuant to this paragraph (b), the Port Authority may devise and implement reasonable procedures including but not limited to, allocations among Aircraft Operators at the Airport.

(c) Nothing contained in this Section shall authorize the Port Authority to promulgate rules or regulations or impose any conditions upon the Lessee which conflict with the safeguards granted to the Lessee pursuant to the provisions of Section 12.04 of the General Airport Agreement. The provisions of the preceding sentence shall apply and pertain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

(d) If a copy of the Rules and Regulations is not attached, then the Port Authority will notify the Lessee thereof either by delivery of a copy, or by making a copy available at the office of the Secretary of the Port Authority.

Section 8. Various Obligations of the Lessee

(a) The Lessee shall conduct its operations hereunder in an orderly and proper manner, so as not to unreasonably annoy, disturb or be offensive to others at or off the Airport. The Lessee shall take all reasonable measures to eliminate vibrations originating on the Premises tending to damage any equipment, structure, building or portion of a building which is on the Premises, or is a part thereof, or is located elsewhere on or off the Airport.

(b) The Lessee shall use its best efforts to conduct all its operations at the Premises in a safe and careful manner, following in all respects the best practices of the air transportation industry in the United States.

(c) The Port Authority shall have the right to object to the Lessee regarding the

conduct and demeanor of the employees of the Lessee whereupon the Lessee will take all steps reasonably necessary to remove the cause of the objection. If requested by the Port Authority the Lessee shall supply and shall require its employees to wear or carry badges or other suitable means of identification, which shall be subject to the prior and continuing approval of the General Manager of the Airport.

(d) The Lessee shall control all vehicular traffic on the roadways or other areas within the Premises and shall take all precautions reasonably necessary to promote the safety of its passengers and all other persons on the Premises. The Lessee shall employ such means as may be necessary to direct the movement of vehicular traffic within the Premises to prevent traffic congestion on the public roadways leading to the Premises.

(e) The Lessee shall remove from the Airport or otherwise dispose of in a manner approved by the General Manager of the Airport all garbage, debris and other waste materials (whether solid or liquid) arising out of its occupancy of the Premises or out of its operations. Any such which may be temporarily stored in the open, shall be kept in suitable garbage and waste receptacles, the same to be made of metal or other suitable material, and equipped with tightfitting covers, and to be of a design safely and properly to contain whatever material may be placed therein. The Lessee shall use extreme care when effecting removal of all such waste materials, and shall effect such removal at such times and by such means as first approved by the Port Authority. No such garbage, debris or other waste materials shall be or be permitted to be thrown, discharged or deposited into or upon the waters at or bounding the Airport.

(f) From time to time and as often as reasonably required by the Port Authority, the Lessee shall conduct pressure, water-flow, and other appropriate tests of the fire extinguishing system and apparatus, fire-alarm and smoke detection systems and any other fire protection systems which constitute a part of the Premises. The Lessee shall keep in proper functioning order all fire-fighting equipment, fire-alarm and smoke detection equipment on the Premises and the Lessee shall at all times maintain on the Premises adequate stocks of fresh, usable chemicals for use in such systems, equipment and apparatus. The Lessee shall notify the Port Authority prior to conducting such tests. If requested by the Port Authority, the Lessee shall furnish the Port Authority with a copy of written reports of such tests.

(g) It is the intention of the parties hereto that noise caused by aircraft engine operations shall be held to a minimum considering the nature of the Lessee's operations. To this end the Lessee will conduct its operations in such a manner as to keep the noise produced by aircraft engines to a minimum and where appropriate shall employ noise arresting and noise reducing devices that are suitable. Aircraft testing and aircraft run-ups will be conducted only in such areas as shall meet with the prior and continuing approval of the Port Authority. The obligations assumed by the Lessee under this paragraph (g) shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to noise under this Agreement.

(h) In its use of the Premises, the Lessee shall use its best efforts to minimize jet or prop blast interference to aircraft operating on or to buildings and structures now located on or which in the future may be located on areas adjacent to the Premises. In the event the Port Authority determines at any time and from time to time that the Lessee has not so minimized the jet or prop blast interference, it may serve a notice on the Lessee to such effect and if the condition is not corrected to the satisfaction of the Port Authority within thirty (30) days after the service of said notice, the Lessee hereby covenants and agrees to erect and maintain at its own expense such structure or structures as may be necessary to minimize the said jet or prop blast interference, subject, however, to the prior written approval of the Port Authority as to the type, manner and method of construction. The obligations assumed by the Lessee under this paragraph shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to interference under this Agreement.

(i) In addition to compliance by the Lessee with all laws, ordinances, governmental rules, regulations and orders now or at any time in effect during the term of the letting hereunder which as a matter of law are applicable to the operation, use or maintenance by the Lessee of the Premises or the operations of the Lessee under this Agreement (the foregoing not to be construed as a submission by the Port Authority to the application to itself of such requirements or any of them), the Lessee agrees that it shall exercise the highest degree of safety and care and shall conduct all its operations under this Lease and shall operate, use and maintain the Premises in accordance with the highest standards and in such manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the Premises by the Lessee and from the operations of the Lessee under this Agreement. The Port Authority hereby reserves the right from time to time and at any time during the term of this Lease to require the Lessee, and the Lessee agrees to design and construct at its sole cost and expense such reasonable structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the objectives as set forth in the first sentence of this paragraph. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. The obligations assumed by the Lessee under this paragraph shall continue throughout the term of this Lease and shall not be limited, affected, impaired or in any manner modified by the fact that the Port Authority shall have approved any construction application and supporting plans, specifications and contracts covering construction work and notwithstanding the incorporation therein of the Port Authority's recommendations or requirements and notwithstanding that the Port Authority may have at any time during the term of the Lease consented to or approved any particular procedure or method of operation which the Lessee may have proposed or the Port Authority may have itself prescribed the use of any procedure or method. The agreement of the Lessee to assume the obligations under this paragraph is a special inducement and consideration to the Port Authority in entering into this Lease with the Lessee.

(j) The Lessee shall periodically inspect, clean out and maintain the oil separators serving the Premises which are located on the Premises and the oil separators located outside the Premises if they exclusively serve the Premises.

Section 9. Prohibited Acts

(a) The Lessee shall commit no unlawful nuisance, waste or injury on the Premises or at the Airport, and shall not do or permit to be done anything which may result in the creation or commission or maintenance of such nuisance, waste or injury on the Premises or at the Airport.

(b) The Lessee shall not create nor permit to be caused or created upon the Premises any obnoxious odors or smokes, or noxious gases or vapors. The creation of exhaust fumes by the operation of the Lessee's internal-combustion engines or aircraft engines of other types, so long as such engines are maintained and are being operated in a proper manner, shall not be a violation of this paragraph.

(c) The Lessee shall not do or permit to be done anything which may interfere with the effectiveness or accessibility of the drainage and sewerage system, water system, communications system, underground fuel system, electrical fire-protection system, sprinkler system, alarm system, fire hydrants and hoses and other systems, if any, installed or located on, under, or in the Premises.

(d) The Lessee shall not do or permit to be done any act or thing upon the Premises (1) which will invalidate or conflict with any fire insurance, extended coverage or rental insurance policies covering the Premises or any part thereof, or the Airport, or any part thereof, or (2) which, in the opinion of the Port Authority, may constitute an extra-hazardous condition, so as to increase the risks normally attendant upon the operations contemplated by Section 5 hereof entitled "Use of Premises". The Lessee shall promptly observe, comply with and execute the provisions of any and all present and future rules and regulations, requirements, orders and directions of the National Board of Fire Underwriters and the Fire Insurance Rating Organization of New York, or of any other board or organization exercising or which may exercise similar functions, which may pertain or apply to the operations of the Lessee on the Premises, and the Lessee shall, subject to and in accordance with the provisions of Section 33 hereof entitled "Other Construction by the Lessee", make any and all structural and non-structural improvements, alterations or repairs of the Premises that may be required at any time hereafter by any such present or future rule, regulation, requirement, order or direction. If by reason of any failure on the part of the Lessee to comply with the provisions of this paragraph any fire insurance rate, extended coverage or rental insurance rate on the Premises or any part thereof, or on the Airport or any part thereof, shall at any time be higher than it would be if the Premises were properly used for the purposes permitted by Section 5 hereof entitled "Use of Premises", then the Lessee shall pay to the

Port Authority, as an item of additional rental, that part of all insurance premiums paid by the Port Authority which shall have been charged because of such violation or failure by the Lessee.

(e) The Lessee shall not dispose of nor permit any one to dispose of any waste material taken from its aircraft (whether liquid or solid) by means of the toilets, manholes, sanitary sewers or storm sewers in the Premises except after treatment in installations or equipment included in plans and specifications submitted to and approved by the Port Authority.

(f) The Lessee shall not keep or store during any 24-hour period flammable liquids within any enclosed portion of the Premises (other than in rooms or areas expressly constructed for the storage of such liquids) in excess of the Lessee's working requirements during the said 24-hour period. Any such liquids having a flash point of less than 110° F. shall be kept and stored in safety containers of a type approved by the Underwriters Laboratories or the Factory Mutual Insurance Association.

(g) (1) The Lessee shall prevent access by persons or vehicles (unless duly authorized by the Port Authority) to the Public Landing Area from the Premises except for aircraft, which aircraft shall be equipped with radio receivers tuned to control tower frequencies and adequately manned in accordance with applicable Port Authority Rules and Regulations. Such aircraft may be towed by a motor vehicle equipped with a radio receiver tuned to the appropriate control tower frequency and adequately manned or such other means as may be approved by the Port Authority. The Lessee shall control access by its passengers and patrons from and to aircraft ramp, apron and parking areas on the Premises and shall maintain control of its passengers and patrons while they are upon said areas by proper measures to insure that the highest standards of safety are maintained.

(2) The Lessee shall furnish adequate security and guard service or such comparable means as approved by the Port Authority from time to time, on a 24 hour, seven day-a-week basis for the prevention of access to and control of persons on the aeronautical operations areas of the Premises and the prevention of access to the Public Landing Area.

(h) The Lessee shall not operate any engine or any item of automotive equipment in any enclosed space on the Premises unless such space is adequately ventilated and unless such engine is equipped with a proper spark-arresting device which has been approved by the Port Authority.

(i) The Lessee shall not operate or cause to be operated aircraft engines in any portions of the Premises other than for the purpose of taxiing aircraft to and from the Premises or in connection with authorized aircraft maintenance on the Premises.

(j) The Lessee shall not perform any aircraft maintenance on the Premises except that

emergency aircraft maintenance and transit or turn around aircraft maintenance shall not be deemed to be prohibited by this provision.

(k) The Lessee shall not keep or store aviation fuel on the Premises except that fueling equipment may be operated on the Premises in accordance with the provisions of the General Airport Agreement covering the underground fuel system and with the Port Authority Rules and Regulations pertaining thereto.

(l) The Lessee shall not overload any floor and shall repair any floor, including supporting members, and any paved area damaged by overloading. Nothing in this paragraph or elsewhere in this Agreement shall be or be construed to be a representation by the Port Authority of the weight any floor or paved area will bear.

(m) The Lessee shall not use or permit the use of any structural supporting member of the buildings or roofs or any part thereof for the storage of any material or equipment, or hoist, lift, move or support any material or equipment or other weight or load, by means of said trusses or structural supporting members, without prior approval of the Port Authority.

(n) The Lessee shall not use any cleaning materials having a harmful corrosive effect, on any part of the Premises.

(o) The Lessee shall not fuel or defuel any equipment in the enclosed portions of the Premises without prior approval of the General Manager of the Airport.

(p) The Lessee shall not dispose of, release or discharge nor permit anyone to dispose of, release or discharge any Hazardous Substance on the Premises or at the Airport.

(q) The Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the Premises or in any streets, ways and walks adjacent or near the Premises.

(r) The Lessee agrees that it will not erect, construct or maintain or otherwise create or continue any obstacle or so park or store any aircraft or other object on the Premises so as to create any obstacle that will hamper or interfere with the free, orderly, unobstructed and uninterrupted passage of vehicles, aircraft or of the wings or other integral part of aircraft of any type, nature or description, while such vehicle is operating or aircraft is taxiing or being transported or towed along the Runways, taxiways and roads outside of and adjacent to the Premises.

Section 10. Care, Maintenance, Rebuilding and Repair by the Lessee

(a) The Lessee shall repair, replace, rebuild and paint all or any part of the Premises

which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other persons on or at the Premises with the Lessee's consent and shall pay to the Port Authority the costs and expenses of the Port Authority to repair, replace, rebuild and paint all or any part of the Airport which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other persons on or at the Premises with the Lessee's consent.

(b) The Lessee shall, throughout the term of this Lease, assume the entire responsibility and shall relieve the Port Authority from all responsibility for all repair, rebuilding and maintenance whatsoever in the Premises (and off the Premises as provided below), whether such repair, rebuilding or maintenance be ordinary or extraordinary, partial or entire, inside or outside, foreseen or unforeseen, structural or otherwise, and without limiting the generality of the foregoing, the Lessee shall:

(1) Keep at all times in a clean and orderly condition and appearance, the Premises and all the Lessee's fixtures, equipment and personal property which are located in any part of the Premises which is open to or visible by the general public;

(2) Remove all snow and ice and perform all other activities and functions necessary or proper to make the Premises available for use by the Lessee;

(3) Take good care of the Premises and maintain the same at all times in good condition; perform all necessary preventive maintenance, including but not limited to painting (the exterior of the Premises and areas visible to the general public to be painted only in colors which have been approved by the Port Authority); and make all repairs and replacements, and do all rebuilding, inside and outside, ordinary and extraordinary, partial and entire, foreseen and unforeseen, structural or otherwise, which repairs, rebuilding and replacements by the Lessee shall be in quality and class not inferior to the original in materials and workmanship.

(4) Provide and maintain all obstruction lights and similar devices on the Premises, and provide and maintain all fire protection and safety equipment and all other equipment of every kind and nature required by any law, rule, ordinance, resolution or regulation of the type and nature described in Section 6 hereof entitled "Compliance with Governmental Requirements" and Section 7 hereof entitled "Rules and Regulations". The Lessee shall enter into and keep in effect throughout the term of the Lease a contract or contracts with a central station alarm company acceptable to the Port Authority to provide continuous and automatic surveillance of the fire protection system on the Premises. The Lessee shall insure that all fire alarm signals with respect to the Premises shall also be transmitted to the Airport's police emergency alarm board or to such other location on the Airport as the General Manager of the Airport may direct. The Lessee's obligations hereunder shall in no way create any obligation whatsoever on the part of the Port Authority;

(5) Take such anti-erosion measures and maintain the landscaping at all times in good condition, including but not limited to periodic replanting, as the Port Authority may require, and perform and maintain such other landscaping with respect to all portions of the Premises not paved or built upon as the Port Authority may require;

(6) Be responsible for the maintenance and repair of all utility service lines, including but not limited to, service lines for the supply of water, electric power and telephone conduits and lines, sanitary sewers and storm sewers, located upon the Premises or located adjacent to the Premises and used by the Lessee exclusively;

(7) Be responsible for the maintenance and repair of any damage to the paving or other surface of the Premises caused by any oil, gasoline, grease, lubricants or other flammable liquids and substances having a corrosive or detrimental effect thereon;

(8) Be responsible for all paving, lighting, signage, storm drains, culverts, cables, supporting structures, cleaning and snow removal in connection with existing and future access roadways which are located off of the Premises and serve the Premises exclusively; and

(9) Be responsible for the maintenance and repair of the sanitary sewer between manholes S-2 and S-18, including without limitation, any lift station, pumps and other ancillary equipment.

(c) In the event the Lessee fails to commence so to maintain, clean, repair, replace, rebuild or paint within a period of twenty (20) days after notice from the Port Authority so to do in the event that the said notice specifies that the required work to be accomplished by the Lessee includes maintenance and/or repair other than preventive maintenance; or within a period of one hundred eighty (180) days if the said notice specifies that the work to be accomplished by the Lessee involves preventive maintenance only, or fails diligently to continue to completion the repair, replacement, rebuilding or painting of all of the Premises required to be repaired, replaced, rebuilt or painted by the Lessee under the terms of this Agreement, the Port Authority may, at its option, and in addition to any other remedies which may be available to it, repair, replace, rebuild or paint all or any part of the Premises included in the said notice, and the cost thereof shall be payable by the Lessee upon demand.

(d) Notwithstanding the terms and conditions of Section 5 of this Lease entitled "Use of Premises", paragraph (d) of Section 8 of this Lease entitled "Various Obligations of the Lessee" and this Section, it is hereby agreed and understood that except as set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall have no right nor obligation to operate, control, maintain, rebuild or repair (i) the traffic signaling system located on the roadway frontage of the Premises and the roadways located off the Premises and which was installed by the Port Authority or by the Lessee as part of the

Redevelopment Work and generally consists of traffic lights and signals and associated wiring and control panels, or (ii) the variable message sign system located on the roadway frontage of the Premises and the roadways located off the Premises and which was installed by the Port Authority or by the Lessee as part of the Redevelopment Work and generally consists of message signs, lights, wiring and control panels (which traffic signaling system and variable message sign system are hereinafter collectively called the "Traffic Systems"), provided, however, the Lessee shall pay to the Port Authority as additional rent all costs and expenses to repair, replace and rebuild all or any portion of the Traffic Systems which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other Persons on or at the Premises. Further, the Port Authority shall not have any obligation hereunder or otherwise to operate, maintain, control or continue the operation of the Traffic Systems and may at any time and from time to time discontinue the operation of any or all of the Traffic Systems and/or disable such Traffic Systems and/or remove them from the Premises and from the roadways located off of the Premises. The Port Authority shall have the right at its sole discretion to modify, replace and substitute the Traffic Systems with identical or different systems as the Port Authority shall elect and to operate and control the Traffic Systems, including without limitation, to determine the content of and to place messages on the variable message system and to determine the operating mode of the traffic signaling system.

(e) If the performance of any of the foregoing repair, maintenance, replacement, repainting or rebuilding obligations of the Lessee requires work to be performed near an active taxiway or taxilane or where safety of operations is involved, the Lessee agrees, unless otherwise permitted by the Port Authority in writing, that it will, at its own expense, post guards or take such other appropriate measures as may be directed by the General Manager of the Airport to insure the safety of the work performed thereat.

Section 11. Insurance

(a) The Lessee shall, during the term of this Agreement, insure and keep insured to the extent of 100% of the replacement value thereof, all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Premises against all risks of physical loss or damage (including, but not limited to flood and earthquake risks), if available, and if not available, then against such hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York and also against damage or loss by windstorm, cyclone, tornado, hail, explosion, riot, civil commotion, aircraft, vehicles and smoke, under the Standard Form of Fire Insurance Policy of New York and the form of extended coverage endorsement prescribed as of the effective date of the said insurance by the rating organization having jurisdiction, and if the Port Authority so requests, also covering contamination hazards and risks and boiler and machinery hazards and risks in a separate insurance policy or policies or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the rating organization

having jurisdiction and/or the Superintendent of Insurance of the State of New York and the Lessee shall furthermore provide additional insurance covering any other peril of loss or damage that the Port Authority at any time during the term of this Agreement covers by carrier or self-insurance covered by appropriate reserves at other locations at the Airport upon written notice to the Lessee to such effect.

(b) The aforesaid insurance coverages and renewals thereof shall insure the Port Authority, the Lessee and the City of New York, as insureds, as their interests may appear, and shall provide that the loss, if any, shall be adjusted with and payable to the Port Authority.

(c) In additional to all other policies of insurance required under this Lease, the Lessee shall also procure and maintain throughout the term of the letting hereunder (including all extensions) Business Interruption Insurance in such amounts as shall be at least sufficient to cover, and applicable to, all rentals, fees, charges and other payments that are payable by the Lessee to the Port Authority under this Lease for a period of not less than three (3) years for any business interruption losses in business revenue that occur when the Premises or any portion thereof is unusable or is out of operations due to a fire or any other risks or hazards that are normally covered under a standard form of "All Risk" policy.

(d) In the event the Premises or any part thereof shall be damaged by any casualty against which insurance is carried pursuant to this Section, the Lessee shall promptly furnish to the Port Authority such information and data as may be necessary to enable the Port Authority to adjust the loss.

(e) The policies or certificates representing insurance covered by this Section shall, if not already delivered, shall be delivered by the Lessee to the Port Authority prior to the Effective Date and the policies or certificates representing the insurance covered by Section 2B(d)(12) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" shall be delivered by the Lessee to the Port Authority prior to the commencement of any Section 2B Work and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereon, and also, a valid provision obligating the insurance company to furnish the Port Authority and the City of New York ten (10) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least ten (10) days before the expiration of the insurance which such policies are to renew.

(f) Regardless, however, of the Persons whose interests are insured, the proceeds of all policies covered by this Section shall be applied as provided in Section 12 hereof entitled "Damage to or Destruction of Premises"; and the word "insurance" and all other references to insurance in said Section 12 shall be construed to refer to the insurance which is the subject matter of this Section, and to refer to such insurance only.

(g) The insurance covered by this Section and by Section 2B(d)(12) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of said policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port of New York District.

Section 12. Damage to or Destruction of Premises

(a) Removal of Debris. If the Premises, or any part thereof, shall be damaged by fire, the elements, the public enemy or other casualty, the Lessee shall promptly remove all debris resulting from such damage from the Premises, and to the extent, if any, that the removal of debris under such circumstances is covered by insurance, the proceeds thereof shall be made available to and be used by the Lessee for such purpose.

(b) Minor Damage. If the Premises, or any part thereof, shall be damage by fire, the elements, the public enemy or other casualty but not rendered untenantable or unusable for a period of ninety (90) days, the Premises shall be repaired with due diligence in accordance with the plans and specifications for the Premises as they existed prior to such damage by and at the expense of the Lessee and if such damage is covered by insurance the proceeds thereof shall be made available to and be used by the Lessee for that purpose.

(c) Major Damage to or Destruction of the Premises. If the Premises, or any part thereof shall be destroyed or so damaged by fire, the elements, the public enemy or other casualty as to be untenantable or unusable for ninety (90) days, or if within ninety (90) days after such damage or destruction the Lessee notifies the Port Authority in writing that in its opinion said Premises will be untenantable or unusable for ninety (90) days then: The Lessee shall proceed with due diligence to make the necessary repairs or replacements to restore such Premises in accordance with the plans and specifications for the Premises as the same existed prior to such damage or destruction; or with the approval in writing of the Port Authority make such other repairs, replacements or changes as may be desired by the Lessee. If such destruction or damage was covered by insurance, the proceeds thereof shall be made available to and used by the Lessee for such restoration.

(d) The obligation of the Lessee to repair or replace shall be limited to the amount of the insurance proceeds provided the Lessee has carried insurance to the extent and in accordance with Section 11 hereof entitled "Insurance". Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

(e) The parties hereby stipulate that neither the provisions of Section 227 of the Real Property Law of New York nor those of any other similar statute shall extend or apply to this Agreement.

Section 13. Indemnity and Liability Insurance

(a) (1) The Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands of third persons including, but not limited to, claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of this Agreement, or out of the use or occupancy of the Premises by the Lessee or by others with its consent, or out of any other acts or omissions of the Lessee, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises, or arising out of the acts or omissions of the Lessee, its officers and employees elsewhere at the Airport (excepting only claims and demands arising from the sole negligence of the Port Authority), including claims and demands of the City of New York from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the said City.

(2) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(b) (1) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under this Agreement, the Lessee during the term of this Agreement in its own name as insured and including the Port Authority as an additional insured including without limitation for premises operations and completed operations, shall maintain and pay the premiums on a policy or policies of Commercial General Liability Insurance, including premises-operations, products, completed operations, liquor liability and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below, and Commercial Automobile Liability Insurance covering owned, non-owned and hired vehicles in not less that the minimum limit set forth below, and Environmental Impairment Liability Insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period and, instead of being

included as an additional insured as aforesaid, including the Port Authority as an insured, as owner, and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to Section 59 hereof entitled "Environmental Obligations" and paragraph (e) of Section 65 hereof entitled "Storage Tanks", in not less than the limit set forth below (subject to a deductible or not more than Five Thousand Dollars and No Cents ($5,000.00) per claim). Each of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third Person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority and any claim or action against the Port Authority by the Lessee as though the Port Authority were a named insured but such endorsement shall not limit, vary, change, or affect the protection afforded the Port Authority thereunder as an additional insured. In addition, the said policy or policies of Commercial General Liability Insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Lessee under paragraph (a) hereof, Section 1 hereof entitled "Letting", Section 2B(q) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", Section 3(e)(7) hereof entitled "Term", paragraph (b)(2) of Section 19 hereof entitled "Assignment and Sublease", Section 29 hereof entitled "Removal of Property", Section 30 hereof entitled "Brokerage", paragraph (j) of Section 41 hereof entitled "Hot Water and Chilled Water Requirements", Section 59 hereof entitled "Environmental Obligations", Section 65 hereof entitled "Storage Tanks", paragraph (d) of Section 66 hereof entitled "Non-Discrimination" and Section 84 hereof entitled "Duty-Free Shop".

	Minimum Limits
Commercial General Liability Combined single limit per occurrence for death, bodily injury and property damage liability:	$100,000,000.00
Commercial Automobile Liability (covering owned, non-owned and hired vehicles) Combined single limit per occurrence for death, bodily injury and property damage liability:	$25,000,000.00
Environmental Impairment Liability Combined single limit per occurrence for death, bodily injury and property damage liability for both gradual and sudden occurrences and	

both on-site and off-site cleanup: $10,000,000.00

(2) The Lessee shall also procure and maintain in effect, or cause to be procured and maintained in effect, Workers' Compensation Insurance and Employer's Liability Insurance in accordance with and as required by law and including coverage for asbestos exposure.

(3) Without limiting the provisions hereof, in the event the Lessee maintains the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with the terms and provisions hereof.

(c) Notwithstanding the foregoing, it is specifically understood and agreed that the Port Authority shall have the right upon notice to the Lessee given from time to time and at any time to require the Lessee to increase any or all of the foregoing limits to commercially reasonable amounts and the Lessee shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Port Authority.

(d) As to the insurance required by the provisions of this Section and Section 2B(d)(11) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority. As to insurance required by this Section, delivery shall be made before the Effective Date and as to insurance required by Section 2B(d)(11) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", delivery shall be made at least fifteen (15) days prior to the commencement of any Section 2B Work. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy or certificate shall contain a valid provision or endorsement that the policy may not be cancelled, terminated, changed or modified without giving fifteen (15) days' written advance notice thereof to the Port Authority. Each such copy or certificate shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy shall be delivered to the Port Authority at least fifteen (15) days prior to the expiration of each expiring policy, except for any policy expiring after the date of expiration of the term of this Agreement. The aforesaid insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If the Port

Authority at any time so requests, a certified copy of each of the policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port of New York District.

Section 14. Signs

(a) Except with the prior written approval of the Port Authority, the Lessee shall not erect, maintain or display any signs or advertising at or on the exterior parts of the Premises or in the Premises so as to be visible from outside the Premises or at or on any other portion of the Airport outside the Premises. Interior signs affecting public safety and security shall be in accordance with established Port Authority standards.

(b) Upon the expiration or termination of the letting, the Lessee shall remove, obliterate or paint out, as the Port Authority may direct, any and all signs and advertising on the Premises or elsewhere on the Airport and in connection therewith shall restore the portion of the Premises and the Airport affected by such signs or advertising to the same condition as existing prior to the installation of such signs and advertising. In the event of a failure on the part of the Lessee so to remove, obliterate or paint out each and every such sign or advertising and so to restore the Premises and the Airport, the Port Authority may perform the necessary work and the Lessee shall pay the cost thereof to the Port Authority on demand.

Section 15. Obstruction Lights

The Lessee shall install, maintain and operate at its own expense such obstruction lights on the Premises as the Federal Aviation Administration may direct or as the General Manager of the Airport may reasonably direct, and shall energize such lights daily for a period commencing thirty (30) minutes before sunset and ending thirty (30) minutes after sunrise (as sunset and sunrise may vary from day to day throughout the year) and for such other period as may be directed or requested by the control tower of the Airport.

Section 16. Additional Rent and Charges

If the Port Authority has paid any sum or has incurred any obligations or expenses (including without limitation payments to third Persons and internal Port Authority costs and expenses) which the Lessee has agreed to pay or reimburse the Port Authority for or if the Port Authority is required or elects to pay any sum or sums or incurs any obligations or expense (including without limitation payments to third Persons and internal Port Authority costs and expenses) by reason of the failure, neglect or refusal of the Lessee to perform or one or more of the conditions, covenants or agreements contained in this Agreement or as a result of an act or omission of the Lessee contrary to the said conditions, covenants and agreements, the Lessee agrees to pay the sum or sums so paid or the expense so incurred, including all interest, costs, damages and

penalties, and the same may be added to any installment of rent thereafter due hereunder, and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally a part of the rent as set forth in Section 4 hereof entitled "Rental".

Section 17. Rights of Entry Reserved

(a) The Port Authority, by its officers, employees, agents, representatives and contractors shall have the right at all reasonable times to enter upon the Premises for the purpose of inspecting the same, for observing the performance by the Lessee of its obligations under this Agreement, and for the doing of any act or thing which the Port Authority may be obligated or have the right to do under this Agreement or otherwise.

(b) Without limiting the generality of the foregoing, the Port Authority, by its officers, employees, agents, representatives, and contractors, and furnishers of utilities and other services, shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of others than the Lessee at the Airport, to maintain existing and future utility, mechanical, electrical and other systems and to enter upon the Premises at all reasonable times to make such repairs, replacements or alterations as may, in the opinion of the Port Authority, be deemed necessary or advisable and, from time to time, to construct or install over, in or under the Premises new systems or parts thereof, and to use the Premises for access to other parts of the Airport otherwise not conveniently accessible; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the Premises by the Lessee.

(c) (1) Further, without limiting the generality of this Section, the Port Authority, by its officers, employees, agents, representatives and contractors and furnishers of service shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of others than the Lessee at the Airport to maintain the portions of the Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility located under or on the Premises and to enter upon the Premises at all times to make such repairs, replacements or alterations to the Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility as may, in the opinion of the Port Authority, be deemed necessary or desirable and, from time to time to construct or install over, in or under the Premises additions or extensions to said Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the Premises by the Lessee pursuant to the provisions of this Agreement.

(2) Neither the Distribution Portion of the System, the AirTrain, the Traffic Systems or the Cogeneration Facility nor any part of any of the foregoing shall be or be deemed to

be a part of the Premises under the Lease.

(d) In the event that any property of the Lessee shall obstruct the access of the Port Authority, its employees, agents or contractors to any of the existing or future utility, mechanical, electrical and other systems, the foregoing to include without limitation the Distribution Portion of the System, the AirTrain, the Traffic Systems and the Cogeneration Facility, and thus shall interfere with the inspection, maintenance or repair of any such system, the Lessee shall move such property, as directed by the Port Authority, in order that the access may be had to the system or part thereof for its inspection, maintenance or repair, and, if the Lessee shall fail to so move such property after direction from the Port Authority to do so, the Port Authority may move it and the Lessee hereby agrees to pay the cost of such moving upon demand.

(e) Nothing in this Section shall or shall be construed to impose upon the Port Authority any obligations so to construct or maintain or to make repairs, replacements, alterations or additions, or shall create any liability for any failure so to do. The Lessee is and shall be in exclusive control and possession of the Premises and the Port Authority shall not in any event be liable for any injury or damage to any property or to any Person happening on or about the Premises nor for any injury or damage to the Premises nor to any property of the Lessee or of any other Person located in or thereon (other than those occasioned by the affirmative acts of the Port Authority, its employees, agents and representatives).

(f) At any time and from time to time during ordinary business hours within the six (6) months next preceding the expiration of the letting, the Port Authority, for and by its agents and employees, whether or not accompanied by prospective lessees, occupiers or users of the Premises, shall have the right to enter thereon for the purpose of exhibiting and viewing all parts of the same.

(g) If, during the last month of the letting, the Lessee shall have removed all or substantially all its property from the Premises, the Port Authority may immediately enter and alter, renovate and redecorate the Premises.

(h) The exercise of any or all of the foregoing rights by the Port Authority or others shall not be or be construed to be an eviction of the Lessee nor be made the grounds for any abatement of rental nor any claim or demand for damages, consequential or otherwise.

Section 18. Condemnation

(a) Definitions

(1) As used in this Section, the phrase, "Temporary Interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to the possession of such property (whether or not such interest includes or is coextensive

with an interest of the Lessee therein under this Agreement), for an indefinite term or for a term terminable at will or at sufferance or for a term measured by a war or an emergency or other contingency or for a fixed term expiring prior to the expiration date of this Lease; and the phrase "Permanent Interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to possession thereof, other than a Temporary Interest, including among others a fee simple and an interest for a term of years expiring on or after the expiration date of this Agreement.

(2) As used in this Section with reference to any Premises or facilities leased to the Lessee for its exclusive use or with reference to the Public Landing Area, the phrase a "Material Part" shall mean such a part of the said Premises or said Public Landing Area that the Lessee cannot continue to carry on its normal operations at the Airport without using such part.

(b) Condemnation or Taking of a Permanent Interest in All or Any Part of the Demised Premises or All or a Material Part of the Public Landing Area.

(1) Upon the acquisition by condemnation or the exercise of the power of eminent domain by any body having a superior power of eminent domain of a Permanent Interest in all or any part of the Premises or of a Permanent Interest in all or any part of the Public Landing Area (any such acquisition under this Section hereinafter referred to as a "Taking"), the Port Authority shall purchase from the Lessee, and the Lessee shall sell to the Port Authority, the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises except that in the event of a Taking of less than all of the said Premises, the Port Authority shall purchase and the Lessee shall sell only so much of the Lessee's leasehold interest in the Premises as are taken. The sole and entire consideration to be paid by the Port Authority to the Lessee shall be an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises or, in the event of a Taking of less than all of the said Premises, an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in so much of the Premises as are taken. However, the Port Authority shall purchase and the Lessee shall sell only if the consideration paid by the Port Authority therefor will constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration can otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such Taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease. Such purchase and sale shall take effect as of the date upon which such body having superior power of eminent domain obtains possession of any such Permanent Interest in the Premises or in the Public Landing Area, as the case may be, and in that event, the Lessee (except with respect to its personal property), shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property)

by reason thereof are hereby assigned to the Port Authority.

(2) If, however, the amount to be paid by the Port Authority (the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises) for such leasehold interest will not constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants, expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration cannot otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such Taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in any such event, the Lessee shall have the right to appear and file its claim for damages in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive such amount as it may lawfully be entitled to receive as damages or payment as a result of such Taking, because of its leasehold interest in the Premises, up to but not in excess of an amount equal to Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. The Port Authority and the Lessee hereby agree that as full and final settlement of any sum that may be due as rent or otherwise for the balance of the term of this Lease, the Lessee will pay to the Port Authority the excess, if any, which the Lessee may be entitled to receive over the foregoing sum. If there be no excess, any sum that may be due as rent or otherwise for the balance of the term of this Lease shall abate.

(3) In the event of the Taking of all of the Premises and if the Lessee has no Unamortized Redevelopment Investment in the Premises at the time of the Taking, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in that event, this Lease and all rights granted by this Lease to the Lessee to use or occupy the Premises for its exclusive use or for its use in common with others at the Airport and all rights, privileges, duties and obligations of the parties in connection therewith or arising thereunder shall terminate as of the date of the Taking, and in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

(4) In the event that the Taking covers only a Material Part of the Premises, then the Lessee and the Port Authority shall each have an option exercisable by notice given within ten (10) days after the effective date of such Taking to terminate the letting hereunder with respect to the Premises not taken, as of the date of such Taking and such termination shall be effective as if the date of such Taking were the original date of expiration hereof. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for a consideration equal to the Unamortized

Redevelopment Investment, if any, of the Lessee in the Premises not taken. If the letting of the entire Premises is not terminated, the settlement or abatement of rentals after the date possession is taken by the body having a superior power of eminent domain shall be in accordance with Section 4 hereof entitled "Rental".

(c) Condemnation or Taking of a Permanent Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Permanent Interest in less than a Material Part of the Public Landing Area, the Port Authority and the Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such Taking. However, if at the time of such Taking the Lessee has no Unamortized Redevelopment Investment, in the Premises, in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

(d) Condemnation or Taking of a Temporary Interest in All or Any Part of the Demised Premises or All or a Material Part of the Public Landing Area.

(1) Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Temporary Interest in all or any part of the Premises or of a Temporary Interest in all or a Material Part of the Public Landing Area, there shall be no abatement of any rental payable by the Lessee to the Port Authority under the provisions of this Agreement but the Lessee shall have the right to claim and in the event of an award therefor shall be entitled to retain the amount which may be awarded as damages or paid as a result of the condemnation or other Taking of such Temporary Interest, provided, that the Lessee shall be obligated to pay over to the Port Authority all such payments as may be made to the Lessee as damages or in satisfaction of such claim, after deduction of (a) reasonable expenses incurred by the Lessee in the prosecution of such claim; (b) an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in the Unamortized Redevelopment Investment in the Premises as are taken, to the extent in either case that the same is to be amortized over the period of the Taking; and (c) the then present capitalized value of the Lessee's obligation for rentals thereafter payable during the period of the Taking in respect to the Premises, or, in the event of a Taking of less than all of the said Premises, in respect to the Premises so taken.

(2) In the event that the Taking covers a Material Part but less than all of the

Premises, then the Lessee and the Port Authority shall each have an option, exercisable by notice given within ten (10) days after the effective date of such Taking, to suspend the term of the letting of such of the Premises as are not so taken during the period of the Taking, and, in that event, the rentals for such Premises shall abate for the period of the suspension. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for the period of suspension for a consideration equal to the Unamortized Redevelopment Investment, if any, of the Lessee in such Premises which is to be amortized over the period of such suspension.

(e) Condemnation or Taking of a Temporary Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Temporary Interest in less than a Material Part of the Public Landing Area, the Lessee shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such condemnation or Taking, and all rights to damages, if any, of the Lessee, including consequential damages, by reason of such condemnation or Taking, are hereby assigned to the Port Authority.

Section 19. Assignment and Sublease

(a) The Lessee covenants and agrees that it will not sell, convey, transfer, mortgage, pledge or assign this Agreement or any part thereof, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of the Lessee which is or is to be a Scheduled Aircraft Operator, and with or into which the Lessee may merge or consolidate, or which may succeed to the assets of the Lessee or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft, and provided, further, that such succeeding entity or purchaser executes and delivers to the Port Authority an instrument in a form satisfactory to the Port Authority assuming the obligations of the Lessee as if it were the original tenant hereunder.

(b) (1) The Lessee shall not sublet the Premises or any part thereof, without the prior written consent of the Port Authority, provided, however, that if any of the events set forth in Section 37(a) (1) hereof entitled "Termination by Lessee" shall occur, the Lessee may sublet the entire Premises or assign this Agreement with the consent of the Port Authority, which consent will not be unreasonably withheld if the sublessee or assignee is a Scheduled Aircraft Operator.

(2) (i) The Lessee hereby certifies, warrants and represents to the Port Authority that the Lessee is a wholly-owned subsidiary of AMR by virtue of the fact that AMR is

the absolute and unconditional owner of all of the issued and outstanding capital stock of the Lessee and, further, that American Eagle Airlines, Inc., a corporation of the State of Delaware (hereinafter called "American Eagle"), is a wholly-owned subsidiary of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all of the issued and outstanding capital stock of American Eagle.

(ii) Notwithstanding any provision of this Lease and in addition thereto, and without the requirement for any permit, consent to sublease or other use agreement from the Port Authority and in reliance upon the certification, warranty and representation of the Lessee set forth in subparagraph (2)(i) above, the Port Authority hereby grants its consent to the use of the Premises by American Eagle, such use being without payment of the Port Authority fees for such use, in accordance with the terms and conditions of the Lease for so long as both the Lessee and American Eagle are wholly-owned subsidiaries of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all the issued and outstanding capital stock of the Lessee and of American Eagle and to the Lessee performing ground handling for American Eagle in accordance with the terms and conditions of the Lease for so long as both the Lessee and American Eagle are wholly-owned subsidiaries of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all the issued and outstanding capital stock of the Lessee and of American Eagle, such ground handling being without payment of the Port Authority fees therefor. In the event either the Lessee or American Eagle or both shall cease to be a wholly-owned subsidiary of AMR, the Lessee shall immediately so inform the Port Authority and thereafter a document or documents shall be prepared by the Port Authority and sent to the Lessee for execution by the Lessee and American Eagle which document(s) shall include, among other things, the right of American Eagle to continue to use the Premises and for the Lessee to perform ground handling for American Eagle on the terms and conditions of the Lease, and the joint and several obligation of the Lessee and American Eagle to pay to the Port Authority the then appropriate Port Authority fees therefor.

(iii) It is specifically understood and agreed that any sublease or other agreement or arrangement (hereinafter called the "American Eagle Arrangement") covering American Eagle's use and/or occupancy of the Premises shall be for a term expiring no later than the day before the expiration date of this Agreement and shall provide that the portion of the Premises to be used by American Eagle shall be used solely for the purposes set forth in Section 5 hereof. Each American Eagle Arrangement shall also provide, in accordance with Sections 52 and 53 hereof, that the term of the American Eagle Arrangement shall immediately terminate and American Eagle shall become a tenant at sufferance in the event of a termination of the term of the Lease and the Lessee becomes a holdover tenant on a month-to-month periodical tenancy pursuant to said Sections 52, 53 or otherwise.

(iv) Without limiting any rights or remedies of the Port Authority or obligations of American Eagle, the Lessee hereby assumes all risks and responsibilities for American Eagle's operations at the Airport including without limitation the payment of fees and charges payable by American Eagle to the Port Authority and the Lessee hereby agrees that all acts

and omissions of American Eagle at the Airport shall be and be deemed to be acts and omissions of the Lessee. Without limiting the generality of the foregoing or any other term or provision of this Agreement, the failure of American Eagle to comply with any agreement, term, covenant or condition of the Lease shall be and be deemed to be a failure of the Lessee to have complied with such agreement, term, covenant or condition and further the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses, whether those of the Port Authority's Law Department or otherwise, including legal expenses incurred in connection with the defense of) all claims and demands of third Persons including but not limited to claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of this Agreement by American Eagle, or out of the use or occupancy of the Premises by American Eagle or by others with its consent, or out of any other acts or omissions of American Eagle, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises, or arising out of the acts or omissions of American Eagle, its officers and employees elsewhere at the Airport, including claims and demands of the City of New York, from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the said City. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provision of any statutes respecting suits against the Port Authority.

(c) If without the prior written consent of the Port Authority, the Lessee assigns, sells, conveys, transfers, mortgages, pledges or sublets in violation of paragraphs (a) or (b) of this Section or if the Premises are occupied by anybody other than the Lessee, the Port Authority may collect rent from any assignee, sublessee or anyone who claims a right under this Agreement or letting or who occupies the Premises, and the Port Authority shall apply the net amount collected to the rental herein reserved; but no such collection shall be deemed a waiver by the Port Authority of the covenants contained in paragraphs (a) and (b) of this Section or an acceptance by the Port Authority of any such assignee, sublessee, claimant or occupant as Lessee, nor a release of the Lessee by the Port Authority from the further performance by the Lessee of the covenants contained herein.

(d) Neither the limited right of assignment provided in paragraph (a) hereof nor the exercise of said right by the Lessee shall be construed or deemed to release, relieve or discharge any succeeding assignee, successor or transferee of the Lessee or any other Person claiming any right, title or interest in this Agreement from the requirement of obtaining the prior written consent of the Port Authority in the event it wishes to sell, convey, transfer, mortgage, pledge, sublet or assign this Agreement or any part thereof, or any rights created thereby or the letting hereunder or any part

thereof, or any rights created thereby without such prior written consent of the Port Authority.

(e) The Port Authority shall not assign or otherwise transfer this Lease or any of its rights hereunder (i) to any private Person without written consent duly executed by the Lessee; or (ii) to the City of New York, unless the City of New York at the time of such assignment or transfer assumes the obligations of the Port Authority under this Lease.

(f) The Lessee shall not use or permit any Person to use the Premises or any portion thereof for any purpose other than the purposes stated in Section 5 hereof entitled "Use of Premises". Except as provided in this Agreement or otherwise permitted in writing by the Port Authority, the Lessee shall not permit the Premises to be used or occupied by any Person other than its own officers, employees, passengers, contractors and representatives.

Section 20. Termination by the Port Authority

(a) If any one or more of the following events shall occur, that is to say:

(1) The Lessee shall become insolvent or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

(2) By order or decree of a court the Lessee shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of the stockholders of the Lessee, seeking its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any law or statute of the United States or any state thereof, provided that if any such judgment or order is stayed or vacated within sixty (60) days after the entry thereof, any notice of cancellation shall be and become null, void and of no effect; or

(3) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer having jurisdiction, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of the Lessee, and such possession or control shall continue in effect for a period of sixty (60) days; or

(4) The Lessee shall voluntarily abandon, desert or vacate the Premises or discontinue its operations at the Airport, or after exhausting or abandoning any right of further appeal, the Lessee because of an act or omission of the Lessee, shall be prevented for a period of thirty (30) days by action of any Governmental Agency other than the Port Authority having

jurisdiction thereof, from conducting its operations at the Airport; or

(5) Any lien is filed against the Premises because of any act or omission of the Lessee and shall not be discharged within thirty (30) days after the Lessee has received notice thereof; or

(6) Except as otherwise in paragraph (a) of Section 19 hereof entitled "Assignment and Sublease", the letting hereunder or the interest or estate of the Lessee under this Agreement shall be transferred directly by the Lessee or shall pass to or devolve upon, by operation of law or otherwise, any other Person, firm or corporation; or

(7) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute shall be filed against the Lessee and shall not be dismissed within ninety (90) days after the filing thereof; or

(8) Except as otherwise provided in paragraph (a) of Section 19 hereof entitled "Assignment and Sublease", the Lessee, if a corporation, shall, without the prior written approval of the Port Authority, become a possessor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution (except that a merger or consolidation shall not be grounds for termination if the resulting corporation has a financial standing as of the date of the merger or consolidation at least as good as that of the Lessee by which is meant that its working capital, its ratio of current assets to current liabilities, its ratio of fixed assets to fixed liabilities and its net worth shall be at least as favorable as that of the Lessee); or

(9) The Lessee shall fail duly and punctually to pay the rentals or to make any other payment required hereunder when due to the Port Authority and shall continue in its failure to pay rentals or to make any other payments required hereunder for a period of twenty (20) days after receipt of notice by it from the Port Authority to make such payments; or

(10) The Lessee shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement on its part to be kept, performed, or observed, within thirty (30) days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligation requires activity over a period of time, and the Lessee shall have commenced to perform whatever may be required for fulfillment within thirty (30) days after receipt of notice and continues such performance without interruption except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance thereof, the Port Authority may upon twenty (20) days' notice terminate the rights of the Lessee hereunder and the letting, such termination to be effective upon the date specified in such notice. Such right of termination and the exercise thereof shall be and operate as a conditional limitation.

(b) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Port Authority would have at law or in equity consequent upon any breach of this Agreement by the Lessee, and the exercise by the Port Authority of any right of termination shall be without prejudice to any other such rights and remedies.

(c) No failure by the Port Authority to insist upon the strict performance of any agreement, term, covenant or condition of the Lease or to exercise any right or remedy consequent upon a breach or default thereof, and no extension, supplement or amendment of the Lease during or after a breach thereof, unless expressly stated to be a waiver, and no acceptance by the Port Authority of rentals, fees, charges or other payments in whole or in part after or during the continuance of any such breach or default, shall constitute a waiver of any such breach or default of such agreement, term, covenant or condition. No agreement, term, covenant or condition of the Lease to be performed or complied with by the Lessee, and no breach or default thereof, shall be waived, altered or modified except by a written instrument executed by the Port Authority. No waiver by the Port Authority of any default or breach on the part of the Lessee in performance of any agreement, term, covenant or condition of this Lease shall affect or alter the Lease, but each and every agreement, term, covenant and condition thereof shall continue in full force and effect with respect to any other then existing or subsequent breach or default thereof.

Section 21. Right of Re-entry

The Port Authority shall, as an additional remedy upon the giving of a notice of termination as provided in Section 20 hereof entitled "Termination by the Port Authority" or any other Section hereof, have the right to re-enter the Premises and every part thereof upon the effective date of termination without further notice of any kind, and may regain and resume possession either with or without the institution of summary or any other legal proceedings or otherwise. Such re-entry, or regaining or resumption of possession, however, shall not in any manner affect, alter or diminish any of the obligations of the Lessee under this Agreement, and shall in no event constitute an acceptance of surrender.

Section 22. Waiver of Redemption

The Lessee hereby waives any and all rights to recover or regain possession of the Premises and all rights of redemption, granted by or under any present or future law in the event it is evicted or dispossessed for any cause, or in the event the Port Authority obtains possession of the Premises in any lawful manner.

Section 23. Survival of the Obligations of the Lessee

(a) In the event that the letting shall have been terminated in accordance with a notice

of termination as provided in Section 20 hereof entitled "Termination by the Port Authority", or the interest of the Lessee canceled pursuant thereto, or in the event that the Port Authority has re-entered, regained or resumed possession of the Premises in accordance with the provisions of Section 21 hereof entitled "Right of Re-entry", all the obligations of the Lessee under this Agreement shall survive such termination or cancellation, or re-entry, regaining or resumption of possession and shall remain in full force and effect for the full term or the letting under this Agreement, and the amount or amounts of damages or deficiency shall become due and payable to the Port Authority to the same extent, at the same time or times and in the same manner as if no termination, cancellation, re-entry, regaining or resumption of possession had taken place. The Port Authority may maintain separate actions each month to recover the damage or deficiency then due or at its option and at any time may sue to recover the full deficiency less the proper discount, for the entire unexpired term.

(b) The amount of damages for rentals for the period of time subsequent to termination or cancellation (or re-entry, regaining or resumption of possession) shall be the sum of the following:

(1) The amount of the total of all annual Rentals, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(2) The amount of the total of all Terminal Rental, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(3) On account of the Lessee's obligations to pay the Cost of Assumable Maintenance and Repair set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority", an amount equal to the total sum of the Capital Cost under said Section 56 hereof less the amount thereof payable prior to the effective date of termination, and

(4) On account of the Lessee's obligations to pay the Costs of the Condition Survey set forth in Section 57 hereof entitled "Joint Periodic Condition Survey", an amount equal to the Costs of the Condition Survey under said Section 57 hereof less the amount thereof payable prior to the effective date of termination, and

(5) On account of the Lessee's obligations to pay the Lessee's Parking Garage

Contribution set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost", an amount equal to the Lessee's Parking Garage Contribution, less the Parking Garage Payments payable to the Port Authority prior to the effective date of termination, and

(6) An amount equal to all expenses reasonably incurred by the Port Authority in connection with such termination, cancellation, re-entry, regaining or resumption of possession, the restoration of the Premises (on failure of the Lessee to have restored), the reletting of the Premises, the care and maintenance of the Premises during any period of vacancy and such completion of the Section 2B Work to put the Premises in rentable condition, the foregoing to include without limitation, legal expenses (including but not limited to the cost to the Port Authority of in-house legal services), brokerage fees and commissions, repairing and altering the Premises and putting the Premises in order (such as but not limited to cleaning and decorating the Premises).

Section 24. Reletting by the Port Authority

The Port Authority upon termination or cancellation pursuant to Section 20 hereof entitled "Termination by the Port Authority", or upon any re-entry, regaining or resumption of possession pursuant to Section 21 hereof entitled "Right of Re-entry", may occupy the Premises or may relet the Premises, and shall have the right to permit any Persons, firm or corporation to enter upon the Premises and use the same. Such reletting may be of part only of the Premises or a part thereof together with other space, and for a period of time the same as or different from the balance of the term hereunder remaining, and on terms and conditions the same as or different from those set forth in this Agreement. The Port Authority shall also, upon termination or cancellation pursuant to the said Section 20, or upon its re-entry, regaining or resumption of possession pursuant to the said Section 21, have the right to repair or to make structural or other changes in the Premises, including changes which alter the character of the Premises and the suitability thereof for the purpose of the Lessee under this Agreement, without affecting, altering or diminishing the obligations of the Lessee hereunder. In the event either of any reletting or of any actual use and occupancy by the Port Authority (the mere right of the Port Authority to use and occupy not being sufficient however) there shall be credited to the account of the Lessee against its survived obligations hereunder any net amount remaining after deducting from the amount actually received from any lessee, licensee, permittee or other occupier in connection with the use of the said Premises or portion thereof during the balance of the letting as the same is originally stated in this Agreement, or from the market value of the occupancy of such portion of the Premises as the Port Authority may during such period actually use and occupy, all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith. No such reletting shall be or be construed to be an acceptance of a surrender.

Section 25. Remedies to be Non-Exclusive

All remedies provided in this Agreement shall be deemed cumulative and additional and not in lieu of or exclusive of each other or of any other remedy available to the Port Authority or to the Lessee at law or in equity, and the exercise of any remedy, or the existence herein of other remedies or indemnities shall not prevent the exercise of any other remedy.

Section 26. Surrender

The Lessee covenants and agrees to yield and deliver peaceably to the Port Authority possession of the Premises on the date of cessation of the letting, whether such cessation be by termination, expiration or otherwise, promptly and in good condition.

Section 27. Acceptance of Surrender of Lease

No agreement of surrender or to accept a surrender shall be valid unless and until the same shall have been reduced to writing and signed by the duly authorized representatives of the Port Authority and of the Lessee. Except as expressly provided in this Section, neither the doing of, nor any omission so to do, any act or thing, by any of the officers, agents or employees of the Port Authority, shall be deemed an acceptance of a surrender of the letting or of this Agreement.

Section 28. Effect of Basic Lease

(a) The letting shall, in any event, terminate with the termination or expiration of the Basic Lease with the City of New York which covers the Premises, such termination to be effective on such date and to have the same effect as if the term of the letting had on that date expired. The rights of the Port Authority in the Premises are those granted to it by the Basic Lease, and no greater rights are granted or intended to be granted to the Lessee than the Port Authority has power thereunder to grant.

(b) The Port Authority covenants that, during the term of this Agreement, the Port Authority will not take any action which would amount to or have the effect of canceling, surrendering or terminating the Basic Lease prior to the date specified in the Basic Lease for its expiration or would in any manner deprive the Lessee of any of its rights, licenses or privileges under this Agreement.

(c) Nothing herein contained shall prevent the Port Authority from entering into an agreement with the City of New York pursuant to which the Basic Lease is surrendered, cancelled or terminated provided that the City of New York, at the time of such agreement, assumes the obligations of the Port Authority under this Agreement.

(d) Nothing contained in this Agreement shall be deemed a waiver by the Lessee of any of its rights, licenses or privileges under this Agreement in the event that the Basic Lease should be

surrendered, cancelled or terminated prior to the date specified in the Basic Lease for its expiration.

Section 29. Removal of Property

(a) All personal property (including trade fixtures), except for Exhibit H Property as hereinafter defined, removable without material damage to the Premises, which are installed by the Lessee in or on the Premises, shall be deemed to be and remain the property of the Lessee (which personal property exclusive of Exhibit H Property is hereinafter called the "Lessee's Personal Property"). Except as set forth in paragraph (n) of Section 41 hereof entitled "Hot Water and Chilled Water Requirements", all of the Lessee's Personal Property, provided that the Lessee shall install suitable replacements therefor if such property is necessary to operate the Premises in accordance with the terms and provisions hereof, may at the Lessee's option be removed by the Lessee from the Premises at any time during the term of the letting hereunder. Furthermore, notwithstanding the previous sentence, all of the Lessee's Personal Property shall, unless otherwise agreed in writing by the parties hereto, be removed by the Lessee on or before the expiration or other termination of the term of the letting hereunder. Any of the Lessee's Personal Property, except for Tanks (as defined in Section 65 hereof entitled "Storage Tanks"), remaining on the Premises thereafter shall be deemed abandoned by the Lessee. Without limiting any other term or provision of this Agreement, the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents, employees and contractors from all claims of third Persons arising out of the Port Authority's removal and disposition of property so abandoned by the Lessee, including claims for conversion, claims for loss of or damage to the Lessee's Personal Property, claims for injury to Persons (including death), and claims for any other damages, consequential or otherwise.

(b) Notwithstanding the foregoing, the Lessee shall not remove from the Premises the personal property set forth in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 29.1" and installed in connection with the Phase I Construction Work performed pursuant to Section 2A of the Lease, title to which it is hereby agreed shall have passed to the Port Authority upon the installation thereof (which property is herein called the "Exhibit H Property") except with the prior written approval of the Port Authority and in accordance with any requirements set forth in such approval, provided, however, and notwithstanding the foregoing, in the event any Exhibit H Property is to be removed in connection with the performance of the Redevelopment Work, the Lessee shall notify the Port Authority at least thirty (30) days prior such removal of any Exhibit H Property and if thereafter directed by the Port Authority, the Lessee shall dispose of such Exhibit H Property at its sole cost and expense.

Section 30. Brokerage

The Lessee represents and warrants that no real estate broker has been concerned on its behalf in the negotiation of this Agreement and that there is no real estate broker who is or may be

entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any claim for commission or brokerage made by any and all Persons, firms or corporations whatsoever for services rendered to the Lessee in connection with the negotiation and execution of this Agreement.

Section 31. Limitation of Rights and Privileges Granted

(a) No greater rights or privileges with respect to the use of the Premises or any part thereof are granted or intended to be granted to the Lessee by this Agreement, or by any provision thereof, than the rights and privileges expressly and specifically granted hereby.

(b) The Premises are let to the Lessee and the Lessee takes the same subject to all the following: (i) easements, restrictions, reservations, covenants and agreements, if any, to which the Premises are subject, rights of the public in and to any public street, (ii) rights, if any, of any enterprise, public or private which is engaged in furnishing heating, lighting, power, telegraph, telephone, steam, or transportation services and of the City and State of New York and (iii) permits, licenses, regulations and restrictions, if any, of the United States, the City of New York or State of New York or other Governmental Authority.

Section 32. Notices

Except where expressly required or permitted herein to be oral, all notices, directions, requests, consents and approvals required to be given to or by either party shall be in writing, and all such notices and requests shall be personally delivered to the duly designated officer or representative of such party or delivered to the office of such officer or representative during regular business hours, or forwarded to him or to the party at such address by certified or registered mail. The Lessee shall from time to time designate in writing an office within the Port of New York District and an officer or representative whose regular place of business is at such office upon whom notices and requests may be served. Until further notice, the Port Authority hereby designates its Executive Director, and the Lessee designates its Vice President of Corporate Real Estate as their officers upon whom notices and requests may be served, and the Port Authority designates its office at One World Trade Center, New York, New York 10048, and the Lessee designates its office at MD 5317, 4333 Amon Carter Blvd., Fort Worth, Texas 76155, as their respective offices where notices and requests may be served. If mailed, the notices herein required to be served shall be deemed effective and served as of the date of the certified or registered mailing thereof.

Section 33. Other Construction by the Lessee

(a) Except as expressly provided in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall not erect any

structures, make any improvements or do any other construction work on the Premises or alter, modify, or make additions or improvements to any structure now existing or built at any time during the letting, or install any fixture (other than trade fixtures, removable without material damage to the freehold, any such damage to be immediately repaired by the Lessee) without the prior written approval of the Port Authority and in the event any construction, improvement, alteration, modification or addition, is made without such approval, then upon reasonable notice so to do, the Lessee will remove the same, or at the option of the Port Authority cause the same to be changed to the satisfaction of the Port Authority. In case of any failure on the part of the Lessee to comply with such notice, the Port Authority may effect the removal or change and the Lessee shall pay the cost thereof to the Port Authority.

(b) Without limiting the generality of the foregoing paragraph the Lessee acknowledges and agrees that Note 1 and Note 2 and their associated reference lines set forth on Exhibit 1.1 to the Lease shall not constitute or be deemed to constitute or imply that approval of the Port Authority will be granted to any proposed construction by the Lessee nor shall the same grant or be deemed to grant any right or permission to the Lessee now or in the future to erect any structures, make any improvements or do any other construction work in the Premises, including but not limited to paving, or to alter, modify or make additions, improvements or repairs to or replacements of, any structure now existing or built at any time during the letting or install any fixtures on the Premises, including but not limited to paving, and that the provisions of the foregoing paragraph of this Section shall be read and construed as if there were no Note 1 and Note 2 of Exhibit 1.1 and their associated reference lines, which were placed on such Exhibit solely and exclusively for the benefit of the Port Authority.

(c) Notwithstanding the obligation of maintenance imposed upon the Lessee by the provisions of Section 10 hereof, the Lessee shall not make any repairs or replacements (except emergency repairs or replacements) unless and until it has first obtained an approved Port Authority alteration application for such repairs or replacements which shall then be performed in full accordance with the terms of said alteration application.

Section 34. Place of Payments

All payments required of the Lessee by this Agreement shall be made to the Port Authority, P.O. Box 17309, Newark, New Jersey 07194, or to such other address, office or location as may be substituted therefor by the Port Authority by notice to the Lessee from time to time.

Section 35. Construction and Application of Terms

(a) The Section and paragraph headings, if any, in this Agreement, are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of any provision hereof.

(b) Unless otherwise expressly specified, the terms, provisions and obligations contained in the Exhibits and Schedules attached hereto, whether there set out in full or as amendments of, or supplements to provisions elsewhere in the Agreement stated, shall have the same force and effect as if herein set forth in full.

(c) If any clause, provision or section of this Agreement shall be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

(d) The fact that certain of the terms and provisions hereunder are expressly stated to survive the expiration or termination of the letting hereunder does not mean nor shall be construed to mean that those provisions hereunder which are not expressly stated to survive shall terminate or expire on the expiration or termination of the letting hereunder and do not survive such termination or expiration.

(e) The parties agree that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be applicable to the interpretations of this Agreement or any amendments, addenda or supplements hereto or any Exhibits or Schedules hereto.

Section 36. Non-liability of Individuals

No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement or because of any breach thereof, or because of its or their execution or attempted execution.

Section 37. Termination by Lessee

(a) If any one or more of the following events shall occur:

(1) If the Lessee shall be prevented from operating its air transportation system to and from the Airport by reason of its inability to use a substantial part of all of the Runways and Taxiways,

(i) for a period of longer than thirty (30) consecutive days, resulting from any condition of the Airport not due to the fault of the Lessee; or

(ii) for a period of longer than ninety (90) consecutive days, resulting from a permanent injunction issued by any court of competent jurisdiction; or

(iii) for a period of longer than ninety (90) consecutive days, resulting

from any order, rule or regulation of the Federal Aviation Administration, or other governmental agency having jurisdiction over the operations of the Lessee with which the Lessee is unable to comply at reasonable cost or expense; or

(2) The Port Authority shall fail to perform any of its obligations under this Lease within twenty (20) days after receipt of notice of default thereunder from the Lessee (except where fulfillment of its obligation requires activity over a period of time and the Port Authority shall commence to perform whatever may be required for fulfillment within twenty (20) days after the receipt of notice and continues such performance without interruption, except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance of the condition, the Lessee may by twenty (20) days' notice terminate the letting, such termination to be effective upon the date set forth in such notice and to have the same effect as if the term of the letting had on that date expired. No waiver by the Lessee of any default on the part of the Port Authority in performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the Port Authority shall be or be construed to be a waiver by the Lessee of any other or subsequent default in performance of any of the said terms, covenants and conditions.

(b) The payment of rentals by the Lessee for the period or periods after the Lessee shall have a right to terminate under this Section but before any such default of the Port Authority has been cured, shall not be or be construed to be a waiver by the Lessee of any such right of termination.

(c) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Lessee would have at law or in equity consequent upon any breach of this Agreement by the Port Authority, and the exercise by the Lessee of any right of termination shall be without prejudice to any other such rights and remedies.

Section 38. Effect of Termination by the Lessee

(a) If the Lessee terminates the letting pursuant to the provisions of paragraph (a)(1) of Section 37 hereof entitled "Termination by Lessee" then the Port Authority may at its option, pay to the Lessee the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. The failure of the Port Authority to exercise the said option will impose no obligation upon it to relet the Premises.

(b) If the Lessee terminates the letting pursuant to the provisions of paragraph (a)(2) of Section 37 hereof entitled "Termination by Lessee" then the Port Authority may, at its option, pay

to the Lessee the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. If the Port Authority fails to exercise such option, then the Port Authority shall use its best efforts to relet the Premises.

(c) If the Port Authority relets the Premises prior to the date upon which this Lease would have expired but for such termination, then the net rent paid by the new tenant to the Port Authority (after deducting any costs and expenses incurred by the Port Authority in securing said new tenant and in complying with the terms of the lease to such tenant, including but not limited to costs of alteration and decoration of such Premises, in the event of termination pursuant to the provisions of paragraph (a)(1) of Section 37 hereof entitled "Termination by Lessee", and after deducting any costs and expenses incurred by the Port Authority for the maintenance of said Premises or for services furnished to the new tenant and after deducting the amounts which would have been payable as rent by the Lessee but for such termination) shall be paid over by the Port Authority to the Lessee until said amounts paid over equal the Unamortized Redevelopment Investment of the Lessee in the Premises as of the date of termination. The obligation of the Port Authority to pay over to the Lessee any net rent received from such new tenant shall endure only while such new tenant continues to pay rent and occupy such Premises, and only while the Unamortized Redevelopment Investment of the Lessee in such Premises is unamortized, and in no event is such obligation to pay over to endure beyond the date upon which this Lease would have expired but for such termination.

Section 39. Abatement

If the Port Authority shall, for safety or other reasons, prohibit the use of the Public Landing Area at the Airport or of any substantial part thereof for foreign or domestic scheduled air transport operations for a period covering more than sixty (60) consecutive days and the Lessee shall thereby be prevented from conducting those operations at the Airport enumerated in Section 5 hereof entitled "Use of Premises", then upon the occurrence of such event, the Lessee at its option shall be entitled to abatement of rental during such period of prohibition and prevention. In the event that the Lessee shall exercise such option the Lessee shall be deemed to have released and discharged the Port Authority of and from all claims and rights which the Lessee may have hereunder arising out of or consequent upon such closing and the subsequent interrupted use of such Public Landing Area or part thereof during the period of prohibition.

Section 40. Services to the Lessee

Except as provided in this Section 40, the Port Authority shall not be obligated to perform or furnish any services or utilities whatsoever in connection with this Lease or the use and occupancy of the Premises hereunder.

(a) The Port Authority shall sell, furnish and supply to the Lessee for use on the Premises and the Lessee agrees to take from the Port Authority and pay for electricity of the same voltage, phase and cycle as supplied to the Premises by the public utility in the vicinity, but limited however, to serve a maximum of the installed transformer capacity serving each portion of the Premises on the Effective Date, at the same charge which would be made by such public utility for the same quantity under the same conditions and in the same service classification but in no event less than an amount that would reimburse the Port Authority for its cost of obtaining and supplying electricity to the Lessee hereunder; charges shall be payable by the Lessee when billed and the quantity of electricity consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason any meter or meters fail to record the consumption of electricity, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period either immediately before or after the interruption as elected by the Port Authority. The Port Authority shall not discontinue the supply of electricity except upon fifteen (15) days' notice to the Lessee and unless a supply of electricity of the same voltage, phase and cycle (subject to the KVA limitation aforesaid) shall be available from another supplier and upon any such discontinuance the Lessee shall be at liberty to contract or otherwise arrange for the supply of such current after the expiration of said fifteen (15) days from any other Person, firm or corporation. The Port Authority shall install the appropriate meters.

(b) The Port Authority agrees to sell, furnish and supply to the Lessee for use on the Premises cold water (of the character furnished by the City of New York) in reasonable quantities through existing pipes, mains and fittings and the Lessee agrees to take such water from the Port Authority and to pay the Port Authority therefor an amount equal to that which would be charged by the municipality or other supplier of the same (whether or not representing a charge for water or other services measured by water consumption) for the same quantity, used under the same conditions and in the same service classification plus the cost to the Port Authority of supplying such water which shall not be less than ten percent (10%) nor in excess of fifty percent (50%) of the amount charged. The charge therefor shall be payable by the Lessee when billed and the quantity of water consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason, any meter or meters fail to record the consumption of water, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period immediately before or after the interruption, as elected by the Port Authority. The Port Authority shall install the appropriate meters. In the event meters are not installed to measure the consumption of water under high pressure, the quantity of such water used by the Lessee will be based upon equitable estimates of consumption, which estimates shall be deemed binding on the Lessee.

(c) The Lessee shall pay to the Port Authority such of the existing and future charges for sewerage services furnished by the City of New York as are presently or may hereafter be imposed or assessed against the Port Authority in respect of the Lessee's Premises or its use and occupancy thereof. In the event that the City or the State of New York is now furnishing services

with or without charge therefor, which are beneficial to the Lessee in its use and occupancy of the Premises, and shall hereafter impose charges or increase existing charges for such services, the Lessee agrees to pay to the Port Authority such of the charges or the increase in charges as may be imposed or assessed against the Port Authority in respect to the Lessee's Premises or its use and occupancy thereof.

(d) In the event the Port Authority shall provide extermination service for the enclosed areas of the Premises, the Lessee agrees to utilize the same and to pay its pro rata share of the reasonable cost thereof upon demand. This paragraph does not impose any obligation on the Port Authority to furnish such service.

(e) The Port Authority shall not be obligated to perform or furnish any other services whatsoever in connection with the Premises or any services at any time while the Lessee shall be in default hereunder after the period, if any, herein granted to cure such default shall have expired.

(f) The Port Authority shall be under no obligation to supply services if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency.

(g) No failure, delay or interruption in supplying agreed services (whether or not a separate charge is made therefor) shall be or be construed to be an eviction of the Lessee or grounds for any diminution or abatement of rental, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for any claim by the Lessee for damages, consequential or otherwise.

Section 41. Hot Water and Chilled Water Requirements

(a) (1) The Port Authority has entered into agreements consisting of an Energy Purchase Agreement, dated as of April 28, 1993, a Construction and Operations Agreement, dated as of April 28, 1993, and an Agreement of Lease, dated as of April 28, 1993, (all of the foregoing Agreements hereinafter as the same may be supplemented, amended and extended from time to time collectively and individually called the "Cogeneration Agreement") with KIAC Partners, a New York general partnership (hereinafter called "KIAC"), for the construction, installation and operation of a cogeneration facility at the Airport which includes portions of the central heating and refrigeration facility previously operated by the Port Authority at the Airport and which cogeneration facility produces electricity, hot water (hereinafter called "Hot Water") and chilled water (hereinafter called "Chilled Water") and which cogeneration facility is hereinafter called the "Cogeneration Facility". The Cogeneration Facility shall include a thermal distribution system (the

"TDS") including distribution lines extending to the Premises as provided in paragraph (f) below.

(2) The Lessee acknowledges that it has received a copy of the Cogeneration Agreement and agrees that the supply by KIAC of Hot Water and Chilled Water to the Premises is subject to all of the terms and provisions of the Cogeneration Agreement. The Lessee agrees that the Port Authority may grant waivers, consents and approvals to KIAC from time to time and the Port Authority and KIAC may, except to the extent provided in paragraph (i) below, supplement, amend or extend the Cogeneration Agreement from time to time and that the Lessee shall be subject to any such waivers, consents and approvals and supplements, amendments, and extensions as part of the Cogeneration Agreement. Copies of any such supplements, amendments and extensions will be made available to the Lessee upon request by the Lessee therefor.

(b) (1) The Cogeneration Agreement provides, among other things, that the Port Authority will purchase from KIAC for resale to the Lessee, and the Lessee hereby agrees that it will accept and purchase from the Port Authority subject to all of the terms and conditions of the Cogeneration Agreement, for use on the Premises, to the extent the same is delivered by KIAC to the Port Authority and by the Port Authority to the Lessee, all of the Lessee's requirements at the Premises for Hot Water and Chilled Water (excluding requirements exclusively for aircraft and loading bridges leading to aircraft); and the Lessee hereby agrees to pay the Port Authority therefor as follows:

(i) The Lessee acknowledges and agrees that the charge to the Lessee by the Port Authority for the Lessee's consumption of Hot Water and Chilled Water at the Premises and Chilled Water makeup water and chemical treatment of makeup water (due to system leakage at the Premises or otherwise) shall be the sum of (A) the amount payable by the Port Authority to KIAC therefor pursuant to the Cogeneration Agreement, plus (B) Five Percent (5%) of the foregoing and plus (C) all applicable taxes.

(ii) The Lessee acknowledges that pursuant to the Cogeneration Agreement KIAC will furnish the Port Authority with measurements of the Lessee's consumption of (A) Hot Water based upon energy drawn by the Lessee from KIAC's Hot Water distribution lines, (B) Chilled Water based upon the energy absorbed from the Lessee by KIAC's Chilled Water distribution lines and (C) Chilled Water makeup water and chemical treatment of makeup water consumed on the Premises, and the Lessee agrees that the provisions of the Cogeneration Agreement with respect to the accuracy of such measurements, the determination of such measurements in the event of inaccurate registration by metering devices, and the use of estimates in the event of the failure of such metering devices shall all be applicable to the Lessee under this Agreement as though set forth in full herein.

(iii) The Lessee acknowledges that the Cogeneration Agreement provides that KIAC shall provide estimated bills to the Port Authority for consumption of Hot Water and

Chilled Water on a monthly basis commencing approximately ten (10) days after the Cogeneration Effective Date for the first calendar month or portion thereof and on or about the tenth (10th) day of the month for each calendar month thereafter. KIAC is then to render a final bill with respect to each estimated bill approximately ten (10) days after the conclusion of the said month together with the estimated bill for the then current month.

(iv) Notwithstanding such arrangement between KIAC and the Port Authority, the Port Authority shall, with respect to each calendar year or fraction thereof, establish estimated unit rates, subject to change from time to time by the Port Authority, for the consumption on the Premises of Hot Water and Chilled Water and shall render an estimated bill to the Lessee for the Lessee's consumption at such estimated rates monthly on the last day of the calendar month following each full or partial calendar month during the term hereof which bill shall be payable on receipt.

(v) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the amounts payable by the Lessee in accordance with the provisions of subparagraphs (i), (ii) and (iii) of this paragraph (b)(1). A corrected billing based upon such determination shall thereupon be rendered by the Port Authority to the Lessee and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be credited to it. In the event the term of this Agreement expires or is sooner terminated on a date other than the last day of a calendar year, the Port Authority shall have no obligation to immediately make the computations as hereinabove provided which would determine the amounts payable by the Lessee in accordance with subparagraphs (i), (ii) and (iii) of this paragraph (b)(1) for the period during said year when this Agreement was in effect. In the event this Agreement expires on a day other than the last day of a calendar month and the actual consumption of and charges to the Lessee for such portion of the calendar month are not available, the charge to the Lessee shall be equitably prorated. Said computations shall be made subsequent to the end of the calendar year as hereinabove provided, and if any monies are due to the Port Authority they shall be paid by the Lessee and if any monies are due to the Lessee they shall be paid to it by the Port Authority less such amounts, if any, then due and owing to the Port Authority from the Lessee.

(vi) The Port Authority shall render a bill to the Lessee from time to time for the Lessee's Chilled Water distribution gallonage which shall be payable upon receipt. The charge therefor shall be based on KIAC's charge to the Port Authority for makeup water and chemical treatment of makeup water and shall be determined in accordance with subparagraphs (i) and (ii) of this paragraph (b)(1).

(vii) In the event that the Lessee disputes any item of an estimated or final bill, the Lessee shall promptly pay the bill in full and the Port Authority shall make any necessary adjustments only after resolution of such dispute.

(2) The Lessee agrees that in order that KIAC or any successor thereto may maintain the status of the Cogeneration Facility as a "qualifying cogeneration facility" under applicable Federal laws, rules and regulations ("QF Status") including the Public Utility Regulatory Policies Act of 1978 as the same may be amended and any successor statute thereto, the Lessee shall, at all times it is operating the Premises for the purposes permitted in this Agreement, purchase from the Port Authority and use on an annual basis a minimum amount of thermal energy contained in Hot Water and Chilled Water produced by use of steam from the Cogeneration Facility equivalent to the lesser of (1) an amount that, together with all thermal energy contained in Hot Water and Chilled Water purchased and used by the Port Authority and all other lessees of Premises in the Central Terminal Area, is sufficient to maintain the QF Status of the Cogeneration Facility and (2) the product of (x) 167,379 mm BTUs of thermal energy, which is one-third of the use of thermal energy contained in Hot Water and Chilled Water in the Central Terminal Area of the Port Authority and the lessees of Premises in the Central Terminal Area in the year ending December 31, 1989, and (y) a fraction, the numerator of which is the amount of the Lessee's use of thermal energy contained in Hot Water and Chilled Water at the Premises in the most recent complete calendar year preceding the applicable date of determination and the denominator of which is the amount of all use in the Central Terminal Area of thermal energy contained in Hot Water and Chilled Water in such calendar year.

(3) It is agreed that during or subsequent to the expiration of this Agreement no charge to or payment by the Lessee with respect to Hot Water, Chilled Water or Chilled Water distribution gallonage shall be included in, affect, or change in any way the calculation and determination of Port Authority costs or charges under any other agreement between the Lessee and the Port Authority at the Airport and any such Port Authority cost or charge shall be calculated and determined as if no charge to or payment by the Lessee with respect to Hot Water, Chilled Water or Chilled Water distribution gallonage had been incurred.

(c) THE LESSEE HEREBY WAIVES AND RELINQUISHES for itself, its successors and assigns any right it may have, and further agrees that it, its successors and assigns shall have no right, to manufacture or produce, to cause to be manufactured or produced, or to purchase or receive from any third party, Hot Water or Chilled Water for use on the Premises or to use any other manner of air cooling or air heating at the Premises except to purchase, receive and use Hot Water and Chilled Water from the Port Authority pursuant to this Agreement.

(d) There shall be no obligation to the Lessee by either KIAC or the Port Authority to furnish the goods and services covered by this Section at any time (i) while any component necessary therefor shall be prohibited or rationed by any federal, state or municipal, law, rule, regulation, requirement, order or direction or while the Port Authority deems it in the public interest to comply therewith even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency, (ii) while the same are curtailed or stopped because of the need to repair, replace, rebuild or alter the Cogeneration Facility, (iii) during the

continuance of any event of Force Majeure, as such term is defined in the Cogeneration Agreement or (iv) that the Lessee shall be in default under this Agreement after the period, if any, herein granted to cure such default shall have expired. No failure, delay or interruption in supplying said goods and services shall be or be construed to be an eviction of the Lessee or grounds for the diminution or abatement of rentals, fees or other charges, nor shall any such failure, delay or interruption be grounds for any claim by the Lessee for damages, consequential or otherwise, against the Port Authority or KIAC.

(e) Without limiting any other provision of this Section, any supply of Hot Water or Chilled Water to the Premises from the Cogeneration Facility shall be limited by the safe and efficient operating capacity of the Cogeneration Facility as determined by KIAC and as approved by the Port Authority.

(f) (1) The Lessee has installed all machinery, equipment and facilities required to be installed in the Premises in order to utilize Hot Water and Chilled Water to be distributed and has tied into the TDS at the heat exchangers heretofore installed by the Port Authority or KIAC in the mechanical equipment rooms constructed by the Lessee on the Premises and the Lessee shall in the future install all machinery, equipment and facilities, including heat exchangers, required to be installed in the Premises in order to utilize Hot Water and Chilled Water to be distributed and shall tie into the TDS in the mechanical equipment rooms constructed by the Lessee on the Premises.

(2) The Lessee hereby agrees that the Port Authority, KIAC and the contractors or suppliers of either of them shall have the right to enter upon the Premises to install, operate and maintain any part of the Cogeneration Facility located thereon including but not limited to the TDS and any heat exchangers installed by the Port Authority or KIAC.

(g) In the event the Cogeneration Agreement is terminated and the facilities for the production of Hot Water and Chilled Water at the Airport exist and are, in the opinion of the Port Authority, economically operable, the Port Authority itself or pursuant to agreement with a contractor or permittee shall supply Hot Water and Chilled Water to the Premises and the Lessee shall take and pay therefor at the same charge to the Lessee which would be applicable as if the Cogeneration Agreement had been in full force and effect, provided, however, that notwithstanding any other provision of this Section, the charge therefor to the Lessee shall in no event be less than an amount that would reimburse the Port Authority for its capital and operating costs in connection therewith determined in accordance with the Port Authority's normal accounting practice. In addition, the Port Authority may, in its discretion, make or consent to arrangements on one or more occasions with a third party or parties to succeed to KIAC's operation of all or any part of the Cogeneration Facility and the Lessee shall continue to be obligated to purchase Hot Water and Chilled Water from the Port Authority pursuant to this Agreement, at the rates provided for in the Cogeneration Agreement.

(h) Neither the Port Authority nor KIAC shall have any liability to the Lessee for any facilities installed by the Lessee on the Premises in connection with the use of Hot Water and Chilled Water hereunder or for any investment made in connection with the use of Hot Water and Chilled Water.

(i) The Port Authority shall have the right to grant waivers, consents and approvals with respect to the Cogeneration Agreement and to enter into amendments, supplements or extensions of the Cogeneration Agreement with KIAC or any similar agreement with any successor operator of the Cogeneration Facility or other provider of Hot Water and Chilled Water at the Airport, provided, however, that the Port Authority will not enter into any amendment, supplement or extension of the Cogeneration Agreement which will result in a change in the formula used to calculate the Hot Water and Chilled Water rates payable by the Lessee which change results in an increase in the rates payable by the Lessee pursuant to such formula (the Lessee hereby acknowledging that such formula may, according to its terms, provide for such rates to be adjusted from time to time) without the consent of the lessees (including the Port Authority as and to the extent that the Port Authority uses Hot Water and Chilled Water) of premises that purchased and used at least Fifty-one percent (51%) of the aggregate Hot Water and Chilled Water purchased and used in the Central Terminal Area during the last full calendar year preceding the effective date of such amendment, supplement or extension.

(j) (1) Paragraph (c) above provides, among other things, that on notice from the Port Authority, the Lessee shall waive for itself, its successors and assigns any right the Lessee may have, and further agrees that the Lessee, its successors and assigns shall have no right, to manufacture or produce, to cause to be manufactured or produced or to purchase or receive from any third party, Hot Water or Chilled Water for use on the Premises or to use any other manner of air cooling or air heating at the Premises except to purchase, receive and use Hot Water and Chilled Water from the Port Authority pursuant to the Lease.

(2) The Lessee installed a 500 ton centrifugal chiller (hereinafter called the "Chiller") in the interior of the portion of the Premises generally known as Building No. 56 (hereinafter called "Building No. 56"). The Lessee hereby agrees that the Chiller may only be used as back up capability to the supply of Chilled Water by KIAC as set forth in the Lease and the Cogeneration Agreement, and that the Chiller will be operated only when the Lessee has demonstrated to the satisfaction of the Port Authority that KIAC has failed to supply Chilled Water as set forth in the Lease and the Cogeneration Agreement.

(3) The Chiller is not a substitute for an adequately designed, installed and maintained HVAC system at the Premises which under normal and design load conditions is capable of using Chilled Water supplied by KIAC to satisfy demand as set forth in the Lease and the Cogeneration Agreement. Before the Lessee may use the Chiller under the circumstances set forth in paragraph (j)(2) above, the Lessee must demonstrate to the Port Authority's satisfaction (the

Port Authority reserving the right to consult with KIAC in connection therewith) that the HVAC system is designed to this condition and installed such that it is capable of operating properly under design conditions completely on Chilled Water, without resort to the Chiller. It shall not be marginal in this respect. It shall also be the Lessee's responsibility to continually maintain the HVAC system to this level of capability. The Lessee's failure in any of these respects shall preclude operation of the Chiller under the circumstances set forth in paragraph (j)(2) above.

(4) The Port Authority and the Lessee understand that there is potential for unauthorized use of the Chiller. The Lessee understands that unauthorized use will cause harm to KIAC and that pursuant to the Lease and the Cogeneration Agreement KIAC is to supply to the Port Authority for resale to the Lessee all of the Lessee's requirements for Chilled Water at the Premises.

(5) The Lessee shall notify the Port Authority whenever it observes that KIAC is not delivering an adequate flow of Chilled Water or sufficiently cold Chilled Water as set forth in the Lease and the Cogeneration Agreement. Upon such notification by the Lessee of an inadequate flow of Chilled Water or insufficient Chilled Water, the Lessee may operate the Chiller until such inadequacy or insufficiency is corrected.

(k) (1) Notwithstanding paragraph (j)(5) above, upon the determination of the Port Authority, which may be made from time to time on one or more occasions, that the Lessee has used the Chiller in non-compliance with this Section, the Port Authority may direct the Lessee to disable the Chiller or to remove the Chiller from the Premises.

(2) The agreement of the Lessee that the Lessee shall disable or remove the Chiller upon the direction of the Port Authority, as aforesaid, is of the essence of this Agreement and the Port Authority shall be entitled to a decree against the Lessee requiring specific performance thereof and the Lessee hereby waives any defense to such specific performance based upon the adequacy of a remedy at law to any such action or actions which may be so brought. The foregoing shall be in addition to and not in lieu of or exclusive of any other remedy available to the Port Authority at law or in equity.

(l) The Lessee shall pay to the Port Authority all charges, including without limitation all applicable taxes, arising out of the use of the Chiller by the Lessee whether based on the consumption of Chilled Water or otherwise, as if the same were charges for the consumption of Chilled Water under this Section.

(m) (1) Without limiting the generality of the provisions of paragraph (l) above and Section 13 of the Lease entitled "Indemnity and Liability Insurance", the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in

connection with the defense of) all claims and demands of KIAC against the Port Authority under the Cogeneration Agreement arising out of the installation and/or use of the Chiller by the Lessee.

(2) If so directed, the Lessee shall at its own expenses defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, offices, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(n) Upon the earlier to occur of the removal of the Chiller from the Premises or the demolition of Building No. 56, the Lessee shall have no further right to use the Chiller or other equipment or method of cooling the Premises or any part thereof except as set forth in paragraphs (a) through (i) of this Section.

Section 42. General Airport Agreement

(a) The parties hereto agree that in the event any provisions contained in the General Airport Agreement are inconsistent or otherwise in conflict with any one or more provisions of this Lease, the provisions of this Lease shall apply with respect to the Premises let hereunder.

(b) Notwithstanding the foregoing provisions of this Section, the Lessee shall have the same rights and privileges under this Lease with respect to "Ramp Service", "Subsidiaries", "Airline Contractors," "Fees or Charges Against Employees, Passengers and Suppliers" and "Federal Control and Operation of Airline", to the extent applicable, as said phrases are used in the General Airport Agreement as if the provisions of Section 4.10 of Title IV, Sections 8.14, 8.15 and 8.19 of Title VIII, and Section 11.06 of Title XI of the General Airport Agreement were herewith incorporated in full as to the subject matter of this Lease and in any of such matters the language of such cited Sections of the General Airport Agreement shall be deemed to apply to the Premises.

(c) The foregoing provisions of this Section shall apply and pertain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

Section 43. General Airport Agreement Expiration

It is recognized that the General Airport Agreement and the principles and formula set forth therein for the calculation of flight fees, including the costs recovery accounting principles, have by agreement or policy been the basis for determining flight fees payable by various Aircraft Operators at the Airport in addition to the Aircraft Operators who are the actual signatory lessees to the

General Airport Agreement. In the event of the expiration and non-extension or non-renewal of the General Airport Agreement, the same formula, accounting principles and costs recovery methodology now set forth in the General Airport Agreement for the calculation of flight fees shall continue to be utilized for the calculation of flight fees at the Airport for the Lessee until such time as the General Airport Agreement is formally replaced by a new agreement or agreements or by a new policy or policies. The Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to the formula, accounting principles and the costs recovery methodology for the calculation of flight fees upon the expiration and non-extension or non-renewal of the General Airport Agreement all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

Section 44. Associated and Affiliated Companies

(a) In addition to the purposes specified in Section 5 hereof entitled "Use of Premises" the Lessee may use the Premises for the following purposes and for activities reasonably required for such purposes:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by Associated or Affiliated Companies of the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee's Associated or Affiliated Companies or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of such Associated or Affiliated Companies at the Airport.

(3) For the clearance, checking and rendering of service to passengers of the Lessee's Associated or Affiliated Companies and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of the passengers, guests, or invitees of the Lessee's Associated or Affiliated Companies, subject to the provisions of Section 63 hereof entitled "Club Rooms".

(5) For the handling of baggage of passengers of the Lessee's Associated or Affiliated Companies including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles of the Lessee's Associated or Affiliated Companies.

(7) For the conduct of operations, traffic, communications, reservations and

administrative office functions and activities in connection with air transportation performed by the Lessee's Associated or Affiliated Companies.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee's Associated or Affiliated Companies.

(9) For the storage of repair parts, supplies and other personal property owned by the Associated or Affiliated Companies of the Lessee and for the performance of minor repairs to personal property of such Associated or Affiliated Companies.

(10) For the storage of such Associated or Affiliated Companies fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over the counter sales to officers and employees of the Lessee's Associated or Affiliated Companies and their families and to occasional business guests of such officers and employees (other than passengers of such Associated or Affiliated Companies) of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee or its Associated or Affiliated Companies and either directly by the Lessee or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of the Lessee's Associated or Affiliated Companies during layovers between flights and for the establishment of lounges for employees of such Associated or Affiliated Companies.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies of the Lessee's Associated or Affiliated Companies, provided that the use of the Premises for the unloading and loading of passengers and their baggage from ground transportation vehicles shall be subject to limitation and restriction, from time to time, as set forth in Section 62 hereof entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways-Use of Airport Taxi Dispatchers and Roadway Frontage Management".

(14) For the parking and storage of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(16) For the performance of aircraft maintenance of aircraft operated by the Lessee's Associated or Affiliated Companies subject to the limitations imposed by paragraph (j) of Section 9 hereof entitled "Prohibited Acts".

(17) For the temporary storage of baggage, mail and air cargo to be carried in aircraft operated by the Lessee's Associated or Affiliated Companies.

(b) The loading or unloading on the Premises of all aircraft used principally for cargo is expressly prohibited.

(c) For the purposes of this Lease, the phrase "Associated or Affiliated Companies" when used herein shall be construed to mean any corporation or foreign entity which is an "Associated Company" or an "Affiliated Company" of the Lessee within the meaning of such phrases as defined in Section 17.01 of the General Airport Agreement, as it may be amended from time to time.

(d) Any act or thing which the Lessee may do for its Associated or Affiliated Companies pursuant to this Lease may be done by it at the same place and under the same circumstances either directly or through a contractor or contractors of its choice, provided, that such acts and things shall be done through a contractor or contractors only if by the terms of this Lease the Lessee may do the same acts or things for itself through contractors, and then only under the same circumstances and subject to the same conditions, and provided further that this Section shall not be deemed to grant to the Lessee's Associated or Affiliated Companies, any greater rights or privileges than are granted to the Lessee under the Lease.

(e) The Lessee's Associated or Affiliated Companies and the officers, employees, passengers, patrons, contractors, suppliers of material, furnishers of services and invitees of the Lessee shall have such right of ingress and egress with respect to the Premises and the right of way over highways at the Airport as are described in Section 48 hereof entitled "Ingress and Egress", subject, however, to the further provisions of said Section 48.

(f) In the event any Associated or Affiliated Companies of the Lessee has entered or hereafter enters into a separate lease or other written agreement with the Port Authority for the use of any premises, space, or facilities at the Airport (whether or not containing provisions similar to those in this Section), then any provisions of this Section which are in conflict with or inconsistent with such provisions under such separate lease or agreement shall be null and void.

(g) The foregoing provisions of this Section shall apply and pertain notwithstanding the expiration or earlier termination of the General Airport Agreement unless different provisions are agreed upon in any successor agreement between the parties to the General Airport Agreement, if, as and when there is such a successor agreement, there being no obligation of any kind hereunder to

enter into a successor agreement.

Section 45. Requesting Airlines at the Airport

(a) If a Scheduled Aircraft Operator advises the Lessee that it would like to be accommodated by the Lessee at the Premises (any such Scheduled Aircraft Operator being hereinafter called a "Requesting Airline") , the Lessee in furtherance of the public interest of having the Premises fully and most effectively utilized shall use its best efforts to accommodate the request of said Requesting Airline. If the Lessee fails to reach agreement with said Requesting Airline for its accommodation, the Lessee shall advise the Port Authority to such effect. Thereafter, the Port Authority shall make a determination as to whether the Lessee should accommodate the Requesting Airline as requested and if so, whether there are any limitations on the nature, extent, cost, duration and extent of such accommodation. Determinations of the Port Authority shall not be arbitrary or capricious. Such determinations of the Port Authority would take into consideration the then existing utilization of the Premises and the necessity for the flights, schedules, flight times, operations, operating practices and aircraft equipment of the Requesting Airline to be compatible with those of the Lessee, as well as the need for labor harmony. The Lessee agrees to comply with such determinations of the Port Authority made in accordance with this Section.

(b) Any arrangement between the Lessee and the Requesting Airline made in accordance with any of the foregoing provisions shall be submitted by the Lessee to the Port Authority for its consent, which will be in the form of a consent agreement prepared by the Port Authority and to be executed by the Lessee, the Requesting Airline and the Port Authority.

(c) The foregoing shall not be deemed to abrogate, change or affect any restrictions, limitations or prohibitions on assignment, subletting or use of the Premises by others under this Lease and shall not in any manner affect, waive or change any of the provisions thereof.

Section 46. Additional Rights of the Port Authority as to Portions of the Premises

(a) It is hereby agreed that for the purpose of this Section the term the "Lessee's Commencement Basic Schedule" shall be and mean for the period from the Effective Date to and including the day immediately preceding the Redevelopment Work Completion Date a "Revenue Seats Daily Average" (as said term is defined in paragraph (e) hereof) of 17,324 and from and after the Redevelopment Work Completion Date shall be and mean the Revenue Seats Daily Average for the first full calendar year from and after the Redevelopment Work Completion Date.

(b) Commencing with calendar year 2000 and for each and every calendar year thereafter, the Port Authority may ascertain the Revenue Seats Daily Average of the Lessee for the Airport for the preceding calendar year in accordance with the provisions of paragraph (e) hereof, which Revenue Seats Daily Average shall be the Lessee's Basic Schedule for the preceding

calendar year and shall be referred to as such. Thus, for example, in the case of the first calculation which would be based on the calendar year 1999 experience, said Revenue Seats Daily Average shall be called the "Lessee's Basic Schedule for 1999".

(c) (1) As of January 1, 2000 and as of January 1 of each succeeding calendar year (i) in the event that the Lessee's Basic Schedule for the immediately preceding calendar year for the Airport is less than sixty percent (60%) of the Lessee's Commencement Basic Schedule or (ii) in the event that because of reasons beyond the control of the Lessee the Lessee's Basic Schedule for the immediately preceding two calendar years is less than sixty percent (60%) of the Lessee's Commencement Basic Schedule, then in either of such events and without limiting each and every other right the Port Authority has under this Agreement or otherwise, the Port Authority shall have the right, upon six (6) months' written notice to the Lessee, to require the Lessee and the Lessee hereby agrees to make available Accommodations (as hereinafter defined) at the Premises as directed by the Port Authority in the amount and to the extent set forth in paragraph (f) hereof to Scheduled Aircraft Operators.

(Ex. 2.a.)

or more of the Lessee's Commencement Basic Schedule (hereinafter called a "Period of Underutilization"). The term "Accommodations" shall mean aircraft ramp and gate position capacity and related passenger terminal facilities including, but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger lounge and waiting areas and appropriate signage and public identification. Such Accommodations may be accomplished by the Lessee by making available and providing non-exclusive use of gate positions and other related facilities to Scheduled Aircraft Operators pursuant to a Handling Agreement between the Lessee and any such Scheduled Aircraft Operator (hereinafter called a "Accommodated Handled Airline"). Each such Handling Agreement shall be subject to the prior and continuing approval of the Port Authority and the execution among the Port Authority, the Lessee, and the Accommodated Handled Airline of a form of consent agreement prepared by the Port Authority. Moreover, and without limiting the foregoing, the Lessee will at all times keep the Port Authority informed and advised and will consult with the Port Authority from time to time as to all aspects of its accommodation of Scheduled Aircraft Operators hereunder.

(2) It is understood furthermore that the Accommodations contemplated hereunder may involve the use of subleases of exclusive or preferential areas of the Premises in addition to or in lieu of Handling Agreements. Any sublease with a Scheduled Aircraft Operator, (hereinafter called a "Accommodated Sublessee Airline") will similarly be subject to the prior and continuing approval of the Port Authority and the execution of a consent agreement prepared by the Port Authority, and executed by the Port Authority, the Lessee and the Accommodated Sublessee Airline. It is understood that American Eagle is an Accommodated Sublessee Airline pursuant to the American Eagle Arrangement.

(3) Nothing contained herein shall in any way affect the discretion of the Port Authority in granting or withholding its consent to a Handling Agreement or a sublease with a Accommodated Sublessee Airline, proposed by the Lessee or directed by the Port Authority whether or not during a Period of Underutilization, and such consent may contain such terms and conditions including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of the Lessee's gross receipts arising therefrom, as the Port Authority may, at that time, elect, and all provisions of the Lease requiring the prior written consent or approval of the Port Authority.

(4) Notwithstanding anything to the contrary contained herein the Lessee understands and agrees that the Lessee shall not perform any services and functions pursuant to any Handling Agreement or sublease with a Accommodated Handled Airline or a Accommodated Sublessee Airline with respect to which the Port Authority has specifically withheld consent and approval in the consent agreement to such Handling Agreement or sublease. The Accommodated Handled Airline and the Accommodated Sublessee Airline may either perform said services and functions themselves or use the services of the authorized service organization, including but not limited to in-flight caterers, aircraft fuelers, and ramp handlers performing such services or functions at the Airport. The Lessee however may make the necessary arrangements with the authorized service organization performing such services and functions performed for the Accommodated Handled Airline or the Accommodated Sublessee Airline.

(5) The Lessee shall furnish to the Port Authority from time to time such itemization, details and information pertaining to the Handling Agreements and subleases as the Port Authority may from time to time request.

(6) The Lessee agrees that all Handling Agreements and subleases shall be at reasonable and at non-discriminatory rates, fees and charges, which rates, fees and charges shall be based upon the recovery by the Lessee of a pro rata share of the Lessee's costs of (i) operation and maintenance of the Premises, (ii) the services provided to the Accommodated Handled Airline or the Accommodated Sublessee Airline and (iii) the Lessee's investment in the Premises not otherwise included in the above, provided, however, that it is understood and agreed that the following shall not be a reason for the Lessee to refuse a sublease or Handling Agreement or to impose any conditions or limitations on operations in connection therewith under this Section: (aa) possible or potential labor disharmony with a Accommodated Handled Airline or Accommodated Sublessee Airline, (bb) compatibility of schedules and operations between the Lessee or another user or occupant of the Premises and a Accommodated Handled Airline or Accommodated Sublessee Airline, or (cc) competitive nature of the routes, schedules or type of air transportation service to be provided by a Accommodated Handled Airline or Accommodated Sublessee Airline, provided, further, however, that with respect to item (aa) above if, after notice from the Port Authority to provide Accommodations to a specific Scheduled Aircraft Operator, the Lessee shall, in good faith, believe that the operations of such specific Scheduled Aircraft Operator on the

Premises would cause such significant, immediate and unremediable labor disharmony which would seriously affect the operations of the Lessee then, upon request by the Lessee to the Port Authority setting forth in specific detail satisfactory to the Port Authority the nature of the anticipated labor disharmony and requesting that the Lessee not be obligated under this Section to provide Accommodations for such specific Scheduled Aircraft Operator, the Port Authority shall, in good faith, consider the Lessee's request and if the Port Authority finds that the labor disharmony described by the Lessee is reasonably likely to result if the Lessee were to provide Accommodations to such Scheduled Aircraft Operator on the Premises then the Port Authority shall notify the Lessee that the Port Authority's discretion to provide Accommodations to such Scheduled Aircraft Operator is rescinded. The Lessee's obligation to provide accommodations to Scheduled Aircraft Operators shall be effective on the date set forth in a notice from the Port Authority to such effect, as aforesaid. Upon such notice the Lessee shall use its best efforts to secure an arrangement with a Scheduled Aircraft Operator as directed by the Port Authority for Accommodations in the Premises and shall in good faith negotiate with any such Scheduled Aircraft Operator as the Port Authority shall direct for Accommodations in the Premises, all in accordance herewith.

(d) The failure of the Port Authority to exercise its rights under this Section during any year in which it may have such a right, shall not affect, waive or limit its right to exercise said rights in any subsequent year.

(e) (1) In the event the Port Authority decides to ascertain the Revenue Seats Daily Average of the Lessee for the preceding calendar year it shall do so as follows: based upon the Official Airlines Guide (herein called the "Guide"), or in the event that the Guide shall not list the Lessee's schedules, then based upon the generally accepted United States aviation industry standard published airline schedule reference which shall include the Lessee's published schedules, the Port Authority shall ascertain the total number of revenue seats that were accommodated on the aircraft equipment scheduled to have been used by the Lessee on its published aircraft arrivals at the Airport as set forth in the Guide during two specified calendar weeks (Sunday through Saturday), the first of which weeks is the one during which the fifteenth (15th) day of February of the prior calendar year fell and the second being the one during which the fifteenth (15th) day of August of the said prior calendar year fell (said week of February together with said week of August being hereinafter collectively called the "Measuring Period"), and shall total the said number of revenue seats which are hereinafter called the "Total Revenue Seats" of the Lessee. In determining the Total Revenue Seats of the Lessee, the Total Revenue Seats as defined above of those Accommodated Handled Airlines, if any, of the Lessee who were Accommodated Handled Airlines as of the date of such determination and Accommodated Sublessee Airlines at the Premises who were Accommodated Sublessee Airlines on the date of such determination, with respect to the aircraft of the Accommodated Handled Airlines and aircraft of the Accommodated Sublessee Airlines operating at the Premises, shall be included.

(2) In making said determination, the Port Authority shall use the aircraft

Agreement if it is prevented from performing any of its obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortages of material, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, tides, riots, rebellion, sabotage or any other circumstances for which it is not responsible and which are not within its control; provided, however, that this provision shall not apply to failures by the Lessee to pay the rentals specified in Section 4 hereof entitled "Rental" and shall not apply to any other charges or money payments; and, provided, further, that this provision shall not prevent either party from exercising its right of termination under Section 20 hereof entitled "Termination by the Port Authority", Section 37 hereof entitled "Termination by Lessee" and Section 52 entitled "Lessee's Financial Condition - Limitation of Lease Term - Triggering Events" and shall not prevent the Lessee from exercising its right to an abatement of rental under Section 39 hereof entitled "Abatement".

Section 48. Ingress and Egress

(a) The Lessee, its officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall have the right of ingress and egress between the Premises and the city streets outside the Airport over such highways at the Airport as may be made available from time to time by the Port Authority for use by the public, provided, however, that the Lessee hereby expressly understands and agrees that the Lessee shall have no right of ingress and egress or access hereunder or otherwise for its employees, customers, patrons, invitees and their baggage between the Premises and the city streets or public ways outside the Airport by means of any mode of transportation or any vehicle which may be limited or restricted in accordance with Section 49 hereof, it being understood that access to the Premises for emergency response for reasons of safety or health shall not be deemed a breach hereof. Such right shall be exercised in common with others having rights of passage within the Airport.

(b) The Lessee shall have the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with others having rights of passage thereon, provided, however, that the Port Authority may from time to time substitute other reasonably equivalent means of ingress and egress.

(c) The use of all roadways and taxiways shall be subject to the Rules and Regulations of the Port Authority which are now in effect or which may hereafter be promulgated for the safe and efficient operation of the Airport. In addition to the rights of closure granted above, the Port Authority may, at any time, temporarily or permanently close, or consent to or request the closing of, any such roadway, taxiway and any other area at the Airport presently or hereafter used as such, so long as a reasonably equivalent means of ingress and egress remains available to the Lessee. The Lessee hereby releases and discharges the Port Authority, and all municipalities and other governmental authorities, and their respective successors and assigns of and from any and all claims, demands or causes of action which the Lessee may now or at any time hereafter have against any of the foregoing, arising or alleged to arise out of the closing of any way or other area,

whether within or outside the Airport provided a reasonably equivalent means of access is available. The Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the Premises or in any streets, ways and walks near the Premises.

Section 49. Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management

(a) The Lessee understands that the Port Authority presently has in effect and has planned various physical improvements and policies concerning and affecting the use of vehicular roadways in the Central Terminal Area of the Airport for the limitation and control of traffic thereon including the limitation and control of vehicular traffic on the Premises and vehicular traffic moving between the Air Terminal Highways, as designated from time to time by the Port Authority in the CTA of the Airport, and the vehicular roadways on the Premises connecting to the said Air Terminal Highways. These improvements and policies, both in existence and planned, generally include the following:

(1) Restrictions on the use of roadways in the CTA as set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area" and Section 72 hereof entitled "Ground Transportation."

(2) The use of airport taxi dispatching services (as generally set forth in paragraph (b) hereof) where the Port Authority, either itself or through its contractor, utilizes at passenger terminals under the control of the Port Authority and makes available to passenger terminals at the Airport operated by others, the services of taxi dispatchers to assist in the expeditious and orderly flow of taxicabs to and from passenger terminals at the Airport.

(3) The use of a central taxi holding and dispatching system for the Airport in conjunction with the use of taxi dispatchers at the passenger terminals at the Airport.

(4) The designation of specified portions of the vehicular roadways on the Premises for limited use exclusively by certain types of ground transportation vehicles and/or certain types of ground transportation carriers for the loading and unloading of passengers and their baggage.

(5) The planning and construction of improvements to increase the capacity of roadway frontages at the passenger terminals.

(b) The Lessee agrees to restrict from the Premises during the time period or time periods, as may be specified by the Port Authority from time to time (each such period being herein referred to as a "Taxi Dispatcher Period"), all taxicabs except those taxicabs which are discharging

passengers at the Premises and those taxicabs which are requested by a taxi dispatcher stationed on the Premises and dispatched through the airport central taxi holding and dispatching facility (herein called the "Airport Central Taxi Stack") to the Premises. Further, during any Taxi Dispatcher Period the Lessee agrees to take and accept from the Port Authority, and permit the stationing at an appropriate location or locations on the Premises, of a taxi dispatcher or taxi dispatchers and the establishment of a taxicab waiting line on the Premises of such number of vehicles as shall be specified by the Port Authority from time to time. A taxi dispatcher or taxi dispatchers when located on the Premises shall provide the sole and exclusive dispatch of taxicabs to the Lessee's passengers and others desiring the use of a taxicab from the Premises and shall perform such other duties and functions in connection therewith as may be specified by the Port Authority from time to time. Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee agrees to install as part of the Redevelopment Work and in the future to permit the Port Authority to install on the Premises such fixtures, equipment and improvements including, but not limited to, taxi dispatcher shelters, telephones, radio transceiver and transponder receiving devices as may be necessary or reasonably desired by the Port Authority in connection with the activities and operations of the taxi dispatchers. The Lessee understands and agrees that all expenses of the Port Authority associated with the implementation and operation of the taxi dispatchers on the Airport including, but not limited to, the taxi dispatchers on the Premises and the construction, maintenance and operation of the Airport Central Taxi Stack shall be included in and payable through the aircraft flight fees at the Airport and will be accorded the same cost recovery treatment as the Air Terminal Highway is accorded for such purposes under the General Airport Agreement and the calculation of other fees and charges under other existing agreements and policies at the Airport, and under any agreements which may be entered into and any policies which may be implemented, in the future, including agreements and policies to replace such existing agreements and policies or the General Airport Agreement.

(c) In connection with and furtherance of the Port Authority's policies concerning ground transportation on the Airport, the operation of the Consolidated Counters as set forth in Section 71 entitled "Ground Transportation Services", the operation of taxi dispatchers and the Airport Central Taxi Stack as set forth in this Section, and the provisions governing ground transportation within the Central Terminal Area as set forth in Section 73 hereof entitled "Ground Transportation within the Central Terminal Area", the Lessee hereby agrees that, from time to time, the Port Authority may designate and specify appropriate areas of roadways and curbs located on the Premises, for the purpose of segregated and exclusive use by separate categories of vehicles, including but not limited to buses, taxicabs, private automobiles and other vehicles, and use by separate categories of ground transportation carriers (including but not limited to Port Authority permittees) as may be designated by the Port Authority, from time to time, for the purpose of loading and unloading passengers and their baggage. The Lessee shall prohibit the operation of all other types of vehicular traffic on the roadways on the Premises used for the loading and unloading of passengers and their baggage and shall prohibit parking or stopping except in the areas

designated as aforesaid. Designated areas shall be clearly indicated by the Lessee by appropriate signing and marking on the Premises as shall be directed or approved from time to time by the Port Authority. Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall install as part of the Redevelopment Work and shall in the future permit the Port Authority to install on the Premises such fixtures, equipment and improvements, including, but not limited to transponder receiving devices and other vehicular tracking and monitoring devices; and the Lessee shall, through the use of appropriate and sufficient means including, but not limited to, removing unauthorized parked vehicles from the Premises, security guards and other personnel stationed on the Premises in the area of the said roadways, require that the limitations and restrictions established hereunder by the Port Authority on the use of the said roadways are complied with and enforced during any Taxi Dispatcher Period and at other times as may be directed by the Port Authority (which compliance and enforcement may be directed on a 24-hour basis).

(d) The Lessee understands that the proper limitation and control of traffic on passenger terminal frontage roads has an impact on the proper and efficient operation of the Air Terminal Highway system of the Airport and the Lessee agrees, for so long as the same is made available by the Port Authority, to either accept from the Port Authority or from the Port Authority contractor providing such service from time to time and to pay for the frontage management services at the rate and in a manner which shall be applicable uniformly throughout the Airport or to provide substantially similar services itself.

(e) The Lessee understands that the Port Authority considers the provisions of this Section and the use of the Lessee's passenger terminal roadway areas of the utmost importance to the efficient operation of the Air Terminal Highway on the Airport and to the fulfillment of the Port Authority's governmental function to provide, maintain, develop, and operate the Airport; that the efficient use and operation of the Air Terminal Highway requires that the Lessee, in the operation and use of its passenger terminal facilities under this Lease shall utilize and cooperate fully in all respects in the operation and implementation of the provisions of this Section to the end that the Air Terminal Highway, including ingress thereto and egress therefrom, will operate in the most efficient manner; and that the Port Authority does not by this Lease intend to enter into any agreement, understanding, or commitment which will interfere with, limit, restrict, hinder, or prevent in any way, the efficient development, implementation and operation of the Air Terminal Highway and the rights and discretion of the Port Authority with respect thereto.

(f) The Port Authority has advised the Lessee that it is the intention of the Port Authority that all Aircraft Operators which are similarly situated will be treated in a similar manner with respect to the payment, operation and use of the taxi dispatchers and the Airport Central Taxi Stack as generally set forth in paragraph (b) above and with respect to the separation, designation and use of specific areas of roadways and curbs in the Premises for exclusive use by separate categories of vehicles and ground transportation carriers as generally set forth in paragraph (c)

above.

Section 50. Maintenance Employees

The Lessee shall at all times during the term of this Agreement on a twenty-four hour basis maintain sufficient qualified personnel at the Airport including but not limited to licensed electricians and plumbers, who shall be qualified to perform the maintenance obligations of the Lessee under this Agreement and particularly be able to respond to all emergencies.

Section 51. Quiet Enjoyment

The Port Authority covenants and agrees that as long as it remains the lessee of the Airport the Lessee, upon paying all rentals hereunder and performing all the covenants, conditions and provisions of this Agreement on its part to be performed, shall and may peacefully and quietly have and enjoy the Premises free of any act or acts of the Port Authority except as expressly agreed upon in this Agreement.

Section 52. Lessee's Financial Condition - Limitation of Lease Term - Triggering Events

Section 55. Purchase of Property

The Port Authority shall have the option from time to time exercisable by notice to the Lessee effective on the expiration or earlier termination of the letting of the Premises hereunder, or any part thereof, to purchase all, or such part as the Port Authority elects, of the Lessee's Personal Property (including trade fixtures but excluding ground vehicles) including without limiting the generality of the foregoing any system for handling baggage, any counters, and any passenger loading bridges, as and to the extent any of the foregoing are personal property, which may at the time of the giving of such notice have been installed or placed on the Premises. In the event the Port Authority exercises its option to make a purchase, the Port Authority shall pay to the Lessee a sum equal to the reasonable value of the Lessee's Personal Property (including trade fixtures) purchased. The Lessee hereby agrees that it shall use reasonable commercial efforts so that on the effective date of the purchase and sale none of the aforesaid items shall be subject to any lien, security interest or other encumbrance, and if after the Lessee having used such reasonable commercial efforts any such property remains subject to any lien, security interest or other encumbrance the reasonable value of such property shall be reduced to properly reflect such lien, security interest or other encumbrance. Upon request of the Port Authority the Lessee will execute a bill of sale or such other document of conveyance as the Port Authority may request to transfer title to the aforesaid items to the Port Authority (including a warranty of title to the Port Authority) and the Port Authority shall pay the purchase price. Further, the Lessee shall from time to time execute such other documentation as the Port Authority may require and prepare evidencing the option of the Port Authority, as herein provided, to purchase the aforesaid personal property, including without limitation, security agreements and filings pursuant to the Uniform Commercial Code.

Section 56. Assumption of Maintenance and Repair of the Premises by the Port Authority

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Assumable Maintenance and Repair" shall mean the obligation of the Lessee to clean, maintain, perform janitorial services and perform structural and non-structural improvements, repairs and rebuilding at the Premises as such obligations are set forth in:

(i) paragraphs (a) and (b) of Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee"; and

(ii) Section 6 hereof entitled "Compliance with Governmental Requirements" insofar as laws, ordinances and governmental rules, regulations, orders, requirements and directions require structural and non-structural improvements, alterations or repairs of the Premises.

(2) The "Cost of Assumable Maintenance and Repair" shall, for each calendar

year, consist of the sum of the "Operation and Maintenance Cost" and the "Annual Capital Cost" which shall both be determined as follows:

(i) The Port Authority will determine the total of all costs incurred or accrued during each calendar year in connection with the Assumable Maintenance and Repair in accordance with normal Port Authority accounting practice and as follows: The Port Authority will apportion Assumable Maintenance and Repair performed between "operation and maintenance" and "capital work". The cost of operation and maintenance is hereinafter called the "Operation and Maintenance Cost" and the cost of the capital work is hereinafter called the "Capital Cost".

(A) Operation and Maintenance Cost for each calendar year shall consist of the following expenditures for, in connection with, or related to operation and maintenance:

(aa) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foreman and clerks), including, but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(bb) The cost (including rental charges) of materials, equipment, supplies and utilities (including but not limited to, electricity, water and phone);

(cc) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(dd) The cost of any performance bond or bonds;

(ee) The cost of insurance;

(ff) Any other direct costs as charged under the Port Authority's normal accounting practice;

(gg) Twenty-five percent (25%) of the sum of all of the foregoing items (aa) through (ff).

(B) Capital Cost for each calendar year shall consist of the following expenditures, for, in connection with, or related to capital work:

(aa) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foremen and clerks) including but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(bb) The cost (including rental charges) of materials, supplies, equipment and utilities (including but not limited to electricity, water and phone);

(cc) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(dd) The cost of any performance bond or bonds;

(ee) The cost of any insurance;

(ff) Payments to independent consultants, architects and engineers engaged or retained by the Port Authority;

(hh) Any other direct costs as charged under the Port Authority's normal accounting practice;

(ii). Financial expense on the foregoing computed in accordance with Port Authority accounting practice;

(jj) Ten percent (10%) of the sum of all the foregoing items (aa) through (ii).

(C) "Annual Capital Cost" shall mean the total of all annual amounts based upon the amortization of the Capital Cost for each calendar year over the shorter of the weighted average period of the useful life of the capital work for each calendar year, or the remaining term of this Agreement as determined by the Port Authority. Each annual amount shall be determined on the basis of an equal annual payment method. The rate used

in determining the Annual Capital Cost for all of the annual amounts shall be for each successive calendar year an annual percentage rate equal to the sum of (i) the average of all the weekly indices of the Bond Buyer Revenue Bond Index as reported in the publication "The Bond Buyer" for the 52-week period in the immediately preceding calendar year and (ii) three percentage points. For purposes of example and illustration only, The Bond Buyer Revenue Bond Index for the week ending July 22, 1999 was 5.59% as set forth in the table entitled "Bond Buyer Indices" on page 31 of The Bond Buyer, Vol. 320 No. 30689, New York, N.Y., dated July 23, 1999. In the event that The Bond Buyer or its weekly Bond Buyer Revenue Bond Index shall be discontinued during the term of the letting hereunder, a comparable substitute for such Index shall be mutually agreed upon in writing by the Lessee and the Port Authority within thirty (30) days after discontinuance. In the event that the Port Authority and the Lessee shall fail to agree upon such a substitute within the time hereinabove specified then upon notice of either party such dispute shall be disposed of by arbitration in accordance with the then existing rules of the American Arbitration Association or any successor association. One half of the cost of said arbitration shall be borne by the Port Authority and the other half of said cost shall be borne by the Lessee.

(b) Commencement of Performance of Assumable Maintenance and Repair

(1) The "Assumable Maintenance and Repair Date" shall be the date, from time to time, determined as follows:

(i) The Port Authority may at any time and from time to time during the term of this Agreement advise the Lessee, by notice, of one or more deficiencies in the performance by the Lessee of the Assumable Maintenance and Repair, or in any portion, or portions, thereof. Such notice shall specify the aforesaid deficiencies in reasonable detail. In such notice the Port Authority shall also advise the Lessee of what reasonable period of time shall be afforded the Lessee to cure such deficiencies and the Port Authority shall advise the Lessee therein when and where its representatives may meet with representatives of the Port Authority to discuss the foregoing. The Port Authority will consider the response, if any, of representatives of the Lessee, as given at the aforesaid meeting, or during such period for a further response from the Lessee, as the Port Authority may, in its sole discretion, afford the Lessee. The Port Authority may, after the occurrence of the above, advise the Lessee, by notice, that it has elected not, at that time, to assume the performance of the Assumable Maintenance and Repair. The Port Authority, in its sole discretion, may condition such an election on such terms as it chooses to include in the notice, including the taking of certain remedial or other actions by the Lessee to the continuing satisfaction of the Port Authority. The fact that the Port Authority may previously have given a notice under this subparagraph but has subsequently elected on one or more occasions not to assume the performance of the Assumable Maintenance and Repair or having on one or more occasions assumed the Assumable Maintenance and

Repair and thereafter returned the said obligations to the Lessee pursuant to the provisions hereof, shall not be deemed to limit the right of the Port Authority to, at any time, give another notice of one or more deficiencies pursuant to this subparagraph or notice pursuant to paragraph (b)(1)(ii) below.

(ii) The Port Authority may at any time and from time to time during the term of this Agreement, but only after the issuance of a notice described above and giving the opportunity to cure as provided above, advise the Lessee, by notice, that commencing on a date to be specified in such notice, which shall be not less than ninety (90) days after the giving thereof, the Port Authority will perform the Assumable Maintenance and Repair. Such date as the same may be established from time to time shall be the "Assumable Maintenance and Repair Date".

(c) Performance of the Assumable Maintenance and Repair

(1) The Port Authority shall perform the Assumable Maintenance and Repair from and after the Assumable Maintenance and Repair Date with the Cost of Assumable Maintenance and Repair to be paid by the Lessee as provided in paragraph (d) below.

(2) The Lessee and the Port Authority each acknowledge and agree that the rights and obligations of the Port Authority and the Lessee hereunder are limited to the performance of all of the Assumable Maintenance and Repair by the Port Authority and not of particular portions thereof.

(3) The Lessee shall give its full cooperation to the Port Authority so as to better enable the Port Authority and its contractors to perform the Assumable Maintenance and Repair and the Port Authority and its employees, agents and contractors shall have the right to enter the Premises at all reasonable times to perform the Assumable Maintenance and Repair.

(d) Payment for the Assumable Maintenance and Repair

The Cost of the Assumable Maintenance and Repair shall be payable by the Lessee from and after the Assumable Maintenance and Repair Date as follows:

(1) The Port Authority shall establish monthly interim billing rates. Such billing rates shall be based upon determinations by the Port Authority of its estimate of the Cost of the Assumable Maintenance and Repair for the calendar year or; for the portion of the calendar year in which the Assumable Maintenance and Repair Date, if less than a calendar year, shall occur or for the portion of the calendar year during which the term of this Agreement shall expire, if less than a calendar year. Such determinations shall be based upon the prior calendar year's experience, if any, and upon other such reasonable basis as the Port Authority shall select. The Port Authority

may prospectively revise its billing rates during any calendar year. The Lessee shall pay current billings as they are received.

(2) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the actual Cost of the Assumable Maintenance and Repair for the preceding calendar year and shall determine the amounts payable by the Lessee. In the event the Assumable Maintenance and Repair Date does not fall on the first day of a calendar year or in the event the term of this Agreement expires on a day other than the last day of a calendar year the Annual Capital Cost for said calendar year shall be prorated based on the number of days during said calendar year during which the Port Authority provides the Assumable Maintenance and Repair. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority to the Lessee and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be credited to it.

(e) Limitation of Port Authority Obligations and No Waiver of Rights of Port Authority

(1) The right and obligation of the Port Authority to perform the Assumable Maintenance and Repair shall not release, waive or affect the obligations of the Lessee with respect thereto set forth in any provision of this Agreement, nor limit, waive or effect any rights of termination with respect thereto, including but not limited to, the right of the Port Authority to terminate this Agreement, whether before or after the occurrence of the Assumable Maintenance and Repair Date pursuant to Section 20 hereof entitled "Termination by the Port Authority".

(2) The Port Authority shall not be obligated to the Lessee to furnish the Assumable Maintenance and Repair at any time while the Lessee shall be in default under this Agreement (except for the Lessee's default in performing the Assumable Maintenance and Repair).

(3) No failure, delay or interruption in performing the Assumable Maintenance and Repair by the Port Authority shall be or be construed to be an eviction of the Lessee or grounds for the diminution or abatement of rentals, fees, or other charges, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for termination of this Agreement by the Lessee pursuant to Section 37 hereof entitled "Termination by Lessee" or for any claims by the Lessee for damages, consequential or otherwise.

(4) The Port Authority shall be under no obligation to perform the Assumable Maintenance and Repair if and to the extent that during any period such performance shall be prohibited, limited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency. Furthermore, the obligation of the Port Authority to perform the Assumable Maintenance and Repair shall be deemed limited and modified during any period that

repair or rebuilding of the Premises is required pursuant to Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee" or Section 12 hereof "Damage to or Destruction of the Premises".

(f) Return of the Assumable Maintenance and Repair to the Lessee

(1) At any time and from time to time after the Port Authority may have exercised its rights under this Section to perform the Assumable Maintenance and Repair the Port Authority shall have the right, upon notice to the Lessee to return the obligation to perform the Assumable Maintenance and Repair to the Lessee commencing on a date to be specified in such notice which date shall be not less than thirty (30) nor more than ninety (90) days from the giving of such notice. Such date shall be the "Return Date of the Assumable Maintenance and Repair". From and after the Return Date of the Assumable Maintenance and Repair the Lessee shall perform the Assumable Maintenance and Repair pursuant to and in accordance with all the terms and provisions of the Lease including, but not limited to, this Section.

(2) From and after the Return Date of Assumable Maintenance and Repair the Lessee shall continue to pay the Cost of Assumable Maintenance and Repair, it being understood, that nothing herein shall release or be deemed to release the Lessee from the payment to the Port Authority of the Cost of Assumable Maintenance and Repair including that portion thereof consisting of the Annual Capital Cost in accordance with paragraph (d) hereof arising prior to the Return Date of the Assumable Maintenance and Repair; nor shall anything herein require the Port Authority to make any calculation or determination with respect to the Cost of Assumable Maintenance and Repair prior to the time specified therefor in paragraph (d) hereof.

Section 57. Joint Periodic Condition Survey

In addition to and without limiting, Section 6 hereof entitled "Compliance with Governmental Requirements", Section 7 hereof entitled "Rules and Regulations", Section 8 hereof entitled "Various Obligations of the Lessee", Section 9 hereof entitled "Prohibited Acts", Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee", Section 11 hereof entitled "Insurance", Section 12 hereof entitled "Damage to or Destruction of Premises", Section 15 hereof entitled "Obstruction Lights", Section 16 hereof entitled "Additional Rent and Charges", Section 17 hereof entitled "Rights of Entry Reserved", Section 26 hereof entitled "Surrender", Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority", Section 59 entitled "Environmental Obligations" and Section 65 entitled "Storage Tanks" or any other term, provision, covenant or condition of this Agreement, the Lessee and the Port Authority hereby agree that, in addition to any other inspection of the Premises which may be made under any other Section of this Agreement or otherwise, a Condition Survey (as hereinafter defined) of the Premises shall be conducted by the Condition Survey Contractor (as hereinafter defined) at each of the time periods specified below subject to and in accordance with

the following terms and conditions:

(a) As used herein the following terms shall have the following meanings:

(1) "Condition Survey" shall mean an inspection by the Condition Survey Contractor of the Premises, including without limitation the then current state of cleaning, maintenance, janitorial services, painting, structural and nonstructural conditions, surface and subsurface conditions, environmental conditions, lighting of building areas, ramp and apron areas, and the condition of utilities and utility systems, fire-fighting and fire protection equipment and systems, communications and communications systems, antipollution systems and devices, fuel facilities and systems, and the Lessee's fixtures, equipment and personal property, and also including the items mentioned or covered by Sections 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 26, 56 and 65 of this Agreement;

(2) "Condition Survey Contract" shall mean and refer to a contract awarded to a Condition Survey Contractor, or entered into between the Port Authority and a Condition Survey Contractor, for the performance by such Condition Survey Contractor of a Condition Survey at any of the applicable times as specified in subparagraph (b) hereof;

(3) "Condition Survey Contractor" shall mean and refer to the contractor to whom the Condition Survey Contract is awarded pursuant to subparagraph (b) hereof which Condition Survey Contractor shall be a reputable engineering firm, licensed or authorized to do business in the State of New York;

(4) "Condition Survey Report" shall mean the report prepared by the Condition Survey Contractor under its Condition Survey Contract after its completion of the Condition Survey work under its Condition Survey Contract including without limitation any and all recommendations for repair, maintenance, rebuilding and cleaning of all items or areas covered by the Condition Survey;

(5) "Costs of the Condition Survey" shall mean and include with respect to each Condition Survey all amounts paid and expenses incurred by the Port Authority, including all interest, costs, damages and penalties, in accordance with the provisions of Section 16 entitled "Additional Rent and Charges" for, relating to or in connection with Condition Survey work to be performed under the Condition Survey Contract;

(6) "Report Date" shall mean the date of the Port Authority's written notice to the Lessee by which the Port Authority delivers to the Lessee the Condition Survey Report.

(b) No earlier than sixty (60) days preceding the expiration of each period consisting of five (5) consecutive years occurring during the letting hereunder, beginning with the first such five-

year period which commences on the Completion Date and ends on the fifth anniversary of the Completion Date and no earlier than sixty (60) days preceding the last day of the month which constitutes the twelfth month preceding the expiration date, the Port Authority may advise the Lessee of a proposed Condition Survey Contract (which may include all or particular portions of the items described in paragraph (a)(i) above) and including the name of the proposed Condition Survey Contractor who will perform a Condition Survey and the proposed scope of the proposed Condition Survey Contract and the proposed fee structure of the contract. Within thirty (30) days after the Port Authority's notice to the Lessee, the Lessee shall advise the Port Authority in writing of its concurrence or objection to the proposed Condition Survey Contract. In the event the Lessee fails to respond during the said time period, said nonresponse shall be deemed a concurrence and the Port Authority shall proceed with the said Condition Survey Contract for purposes of performing a Condition Survey. In the event the Lessee notifies the Port Authority of its objections to the proposed Condition Survey Contract or Condition Survey Contractor, the parties hereby agree to consult with each other in good faith to resolve such dispute. If such resolution is not reached within a reasonable period of time not to exceed thirty (30) days, then the Port Authority, if it so elects, shall make a determination as to the issue or issues in dispute. The parties hereby agree that the Port Authority's determination of said issues, including the Condition Survey Contract and the Condition Survey Contractor shall be final.

(c) It is hereby expressly understood and agreed that the selection of each Condition Survey Contractor for the purposes of a Condition Survey and including the award of any Condition Survey Contract to such Condition Survey Contractor shall be subject to and consistent with the Port Authority's policies and practices for the selection and award of similar contracts and the Port Authority shall have as full a right to require the use of competitive bidding and award, or other basis of award, for any such Condition Survey Contract as if the work on such contract were being performed solely for the Port Authority; and further that the Condition Survey Contract shall contain terms and conditions which are standard to Port Authority contracts or consistent with such standard provisions.

(d) With respect to each Condition Survey, all Costs of the Condition Survey shall be shared equally between the Port Authority and the Lessee. Accordingly, the Lessee hereby agrees to pay to the Port Authority fifty percent (50%) of the Costs of the Condition Survey with respect to each Condition Survey as follows:

(1) The Lessee shall pay to or reimburse the Port Authority for the Costs of the Condition Survey as follows: The Port Authority shall after the completion of the Condition Survey work under a Condition Survey Contract and, if it elects, also from time to time during the course of the performance of the Condition Survey work under such Condition Survey Contract, submit to the Lessee a certificate or certificates setting forth the Costs of the Condition Survey at the date of each such certificate. Within thirty (30) days after the delivery of each such certificate, the Lessee shall pay to the Port Authority an amount representing fifty percent (50%) of said Costs of the Condition

Survey as such amount is set forth in said certificate. Upon its final determination of the Costs of the Condition Survey, the Port Authority shall submit to the Lessee a certificate marked "Final" setting forth the final determination of the Costs of the Condition Survey with respect to each Condition Survey Contract as reduced by any previous payment with respect to such Condition Survey Contract, and the Lessee shall and hereby agrees to pay to the Port Authority within thirty (30) days of such certificate an amount representing fifty percent (50%) of said Costs of the Condition Survey as such amount is set forth in said certificate; provided, however, that neither the foregoing nor any certificate delivered by the Port Authority, nor any payment made by the Lessee shall waive, affect, or impair any right of the Port Authority of review and audit with respect to the Costs of the Condition Survey and with respect to each Condition Survey Contract and provided, further, however, that in the event any such review or audit by the Port Authority requires an adjustment of the Costs of the Condition Survey the Lessee shall be promptly credited with or shall pay to the Port Authority all amounts required by such adjustment.

(2) Without limiting any of the terms and provisions of Section 16 hereof entitled "Additional Rent and Charges", any and all amounts required to be paid by the Lessee hereunder may be added to any installment of rent thereafter due hereunder and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were part of the rent as set forth in Section 4 hereof entitled "Rental".

(e) The Lessee hereby agrees to and shall commence within ninety (90) days after the Report Date all items and all action required or recommended to be taken as set forth in each Contract Condition Survey Report that are necessary or required to meet the Lessee's maintenance or repair or any other of its obligations, duties or responsibilities under this Agreement and the written notice of the Port Authority delivering said Report, unless the Port Authority expressly advises the Lessee to the contrary as to any particular item(s), and the Lessee shall diligently continue the same to completion; provided, however, that any and all items, action or work related to or affecting or involving fire safety, health, structural integrity, life safety, security and other emergency response systems shall be promptly commenced.

(f) The Lessee hereby agrees that the Condition Survey Contractor shall have all rights of entry to the Premises during all reasonable times as appropriate or required to perform or complete the Condition Survey and the Condition Survey Report under the Condition Survey Contract.

(g) It is expressly understood and agreed that neither the provisions of this Section including without limitation the right of the Port Authority to have the Lessee perform and complete the work required by the Condition Survey Report, the obligation of the Lessee so to perform and complete such work, or any such performance thereof by the Lessee, any failure of the parties to select a Condition Survey Contractor, any failure of any Condition Survey Contractor to perform

and complete a Condition Survey Contract, nor any failure by the Lessee or the Port Authority to pay the Costs of the Condition Survey with respect to any Condition Survey Contract, or any portion thereof, shall or shall be deemed to release, waive, affect, restrict or impair any of the obligations, duties, responsibilities or liabilities of the Lessee under any term, provision, covenant or condition of this Agreement nor to limit, waive, affect, restrict or impair any right or remedy of the Port Authority including without limitation any right of the Port Authority to terminate the letting hereunder whether before or after the Report Date. Without limiting the foregoing, it is expressly understood and agreed that the Lessee shall not postpone or delay any action, maintenance, rebuilding or repair or other item or thing required to be taken by the Lessee under any other section of this Agreement.

(h) Notwithstanding anything to the contrary, the Port Authority shall have the right, exercisable in its sole and complete discretion, to exclude from the scope of a Condition Survey with respect to any Condition Survey Contract those items covered by Section 56 hereof for or during such period or periods, if any, when the Port Authority has elected to exercise its rights under Section 56 hereof to perform the Assumable Maintenance and Repair.

Section 58. Condition of the Premises

(a) The Lessee hereby acknowledges that it has not relied upon any representation or statement of the Port Authority or its Commissioners, officers, employees or agents as to the condition of the Premises. The Lessee, prior to any portion of the Premises becoming a part of the Premises hereunder, thoroughly examined such portion of the Premises and determined them to be suitable for the Lessee's operations under the Lease and the Lessee hereby acknowledges and agrees that it took the Premises in various portions in the condition they were in as of the date of the respective commencement of the term of the letting thereof under this Lease, the Surrendered Lease, the United Consent and the Northwest Consent with respect thereto and on the date of the effective date of the Lessee's use thereof under Permit No. AYC-136 and Permit No AY-953 with respect thereto. The Lessee hereby further acknowledges that it occupied portions of the Premises under the Former Agreements. In the event that as of the effective date of the letting under this Lease of any portion of the Premises which were occupied or used by the Lessee under any of the Former Agreements, the Lessee shall not have kept any or all of the foregoing in good condition as required under the Former Agreements, the Lessee shall place and keep the same in good condition as required under the Lease.

(b) Without limiting any obligation of the Lessee to commence operations hereunder at the time and in the manner stated elsewhere in this Agreement, the Lessee agrees that no portion of the Premises will be used initially or at any time during the letting which is in a condition unsafe or improper for the conduct of the Lessee's operations hereunder so that there is possibility of injury or damage to life or property. The Lessee hereby acknowledges that during the periods that the Former Agreements were in effect it performed repairs and construction and installed improvements

on the Premises, title to all of which, except for the Tanks, it is hereby agreed has vested in the City of New York. Further, it is hereby understood and agreed that whenever reference is made in this Agreement to the condition of the Premises as of the commencement of the term thereof, the same shall be deemed to mean with respect to any portion of the Premises which were not occupied or used by the Lessee pursuant to any of the Former Agreements, the condition of the Premises as of the commencement of the term thereof under this Agreement, and with respect to any portion of the Premises which were occupied or used by the Lessee pursuant to any of the Former Agreements, the condition of the Premises as of the commencement of the term of the Former Agreement pursuant to which the Lessee first occupied or used such portion of the Premises, and as to the improvements made and the alternation work performed during the term of this Agreement and the Former Agreements, in the condition existing after the completion of the same.

Section 59. Environmental Obligations

(a) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO, the Lessee shall be fully responsible at its sole cost and expense and shall relieve the Port Authority for and from all obligations to comply with, obey or execute the ACO and all other Environmental Requirements for which the Lessee is obligated under this Lease to comply with, obey or execute. In the event that the Port Authority shall be ordered, requested or required to comply with, obey or execute any Environmental Requirement for which the Lessee is responsible pursuant to this Lease to comply with, obey or execute, the Lessee shall upon notice from the Port Authority and at its sole cost and expense and in its own name do and perform whatever is required to comply with, obey and execute such Environmental Requirement notwithstanding the issuance of any no further action letter or other release granted by the DEC pursuant to the ACO.

(b) (1) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO or any approval by the Port Authority, and except for Hazardous Substances in, on, under or about the Premises caused solely by the acts or omissions of the Port Authority after the Section 2B Work Completion Date, the Lessee on its own behalf and on behalf of its predecessors, successors, assigns and insurers agrees ab initio to April 11, 1956 to assume all risks and responsibility for and to forever remise, release, discharge, hold harmless, reimburse and indemnify the Port Authority, its Commissioners, officers, employees and representatives from and against, including without limitation reimbursing the Port Authority for its costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) incurred in connection with the defense of, any and all past, present and future Liabilities whatsoever on account of, arising or alleged to arise out of, or in any way related to or in connection with, or caused by or resulting from, the condition of the Premises (including without limitation the groundwater thereunder and whether any aspect of such condition existed prior to, on or after the effective date of the Lessee's first letting or use, as the case shall be, of the Premises

under the Former Agreements, this Lease or otherwise), a Risk-based Clean-up, any Section 2B Work, any Environmental Requirement for which the Lessee is obligated under this Lease to comply with, obey or execute or any Environmental Damage (all the foregoing to include without limitation the compliance with and/or violation of any such Environmental Requirement, the investigation, remediation, excavation, removal, clean-up, management, encapsulation, containment, abatement, treatment, monitoring, transportation, disposal, release, spill, deposit, emission, migration, seepage, leakage, discharge, handling, and storage of Hazardous Substances, the exacerbation of contamination, any increased construction costs and expense, construction delays, the performance of any dewatering or discharging by the Lessee, the use of American's Permits and the cost of demolition and rebuilding of any improvements on the Premises) or arising or alleged to arise out of, or in any way related to, a breach or default of the Lessee's obligations under this Section 59 or under this Lease with respect to any Hazardous Substance, any Environmental Damages, the Section 2B Work or any Environmental Requirement including without limitation all costs and expenses (including without limitation, those of Port Authority's staff) in enforcing the provisions thereof, and whether any of the foregoing arise out of any Hazardous Substance on the Premises prior to or after the effective date of the letting of the Premises to the Lessee under the Lease or out of the acts or omissions of the Lessee or of the Port Authority or of the contractors of the Lessee or of the Port Authority or of third Persons or out of the acts of God or the public enemy or otherwise, provided, however, if and only if an indemnity claim or demand is made by a third Person against the Port Authority and such claim or demand (i) is for indemnification by the Port Authority of the fault of such third Person, (ii) arises solely pursuant to a written agreement voluntarily entered into by the Port Authority with such third Person after the Effective Date (the "Voluntary Agreement"), and (iii) other than the Voluntary Agreement there is no past, existing or future obligation whatsoever whether arising at or pursuant to law, equity, contract, contribution, litigation or otherwise for the Port Authority to in part or in whole so indemnify such third Person for such claim or demand, then and only if such claim and demand meets all the criteria set forth in the foregoing items (i), (ii) and (iii) the Lessee shall not be obligated pursuant to this paragraph (b) to indemnify the Port Authority for such claim or demand. If so directed, the Lessee shall at its own expense defend any suit based upon the foregoing and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(2) Nothing contained in this paragraph (b) or not contained in this paragraph (b) shall be or shall be deemed to limit the generality thereof, except, however, it is hereby agreed that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (b) where such indemnity is precluded by statute.

(c) In addition to and without limiting the generality of the obligations of the Lessee set

forth in Section 6 hereof entitled "Compliance with Governmental Requirements" and elsewhere in this Agreement, the Lessee shall, except as set forth in paragraphs (e) and (f)(1) below and Section 2B(d)(9)(ii), at its sole cost and expense and in accordance with and subject to the provisions of Section 2B entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" or Section 33 hereof entitled "Other Construction by the Lessee", as the case shall be, upon notice from the Port Authority, promptly commence removal and remediation of and work diligently to remove and remediate (i) all Hazardous Substances in, on or under the Premises or which have migrated from the Premises to any adjoining property, which any Governmental Authority or any Environmental Requirement or violation thereof require to be remediated, or which are necessary to mitigate Environmental Damages including, but not limited to, the investigation of the environmental condition of the area to be remediated, the preparation of feasibility studies, reports and remedial plans, the notification of the appropriate Governmental Authorities and the performance of any cleanup, remediation, containment, operation, maintenance, monitoring or restoration work; the standard for any of the foregoing to be that which requires the lowest level of a Hazardous Substance and (ii) completely remove all Hazardous Substances disposed of, released or discharged by the Lessee or permitted by the Lessee to be disposed of, released or discharged on the Premises and/or the Airport, provided, however, the Lessee shall not be required pursuant to this item (ii) to remove any Naturally Occurring Hazardous Substance unless such Naturally Occurring Substance was disturbed or acted upon by the Lessee and thereby became subject to removal to satisfy an Environmental Requirement or otherwise became subject to removal in order to comply with an Environmental Requirement. Any such actions shall be performed in a good, safe and workmanlike manner and shall minimize any impact on activities off the Premises and at the Airport. Promptly upon completion of such investigation and remediation, the Lessee shall seal or cap all monitoring wells and test holes, remove all associated equipment and restore the remediated property.

(d) Without limiting the generality of any other term or provision of this Lease, the Lessee shall not permit any Environmental Restriction to occur and shall, if and as directed by the Port Authority, clean-up, remediate and restore the Premises and the groundwater thereunder and take any other action to remove any Environmental Restriction.

(e) Notwithstanding anything else to the contrary in this Lease, the Lessee shall not have any obligations under this Lease for any Hazardous Substance in, on, under or about the Premises whose presence in, on, under or about the Premises shall be caused solely by the acts or omissions of the Port Authority occurring after the Section 2B Work Completion Date, the foregoing to include, without limitation, all obligations to comply with, obey or execute any Environmental Requirement solely because of the presence of any such Hazardous Substance in, on, under or about the Premises whose presence in, on, under or about the Premises shall be caused solely by the acts or omissions of the Port Authority occurring after the Section 2B Work Completion Date.

(f) (1) No review of, comment on or objection to or failure to review, object to or comment on the ACO by the Port Authority, nor the incorporation in the ACO of any Port Authority comment or objection, nor the specific mention of or reference to the Port Authority, including without limitation its policies or practices, in any part of the ACO shall or shall be deemed to have imposed any duty, obligation, limitation or liability on the Port Authority, including without limitation, with respect to any consent or approval of the Port Authority now or hereafter to be obtained, nor shall anything in this Lease or the ACO be or be deemed to create an inference that the Port Authority has granted or would grant its consent or approval to any matters not specifically covered by this Lease but referred to in the ACO which under this Lease require the further consent or approval of the Port Authority or that the Port Authority shall hereafter grant its consent or approval thereto or that the Port Authority's discretion as to granting any such consents or approvals shall in any way be affected or impaired. The lack of any specific reference in any provision of the ACO to Port Authority approval or consent shall not be deemed to imply that no approval or consent is required and with respect such approvals and consents this Lease shall in all respects be controlling, effective and determinative. Without limiting the generality of the foregoing, the Lessee acknowledges and agrees that pursuant to the Lease, except as set forth in paragraph (d)(9)(ii) of Section 2B of this Lease entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", that it shall not perform any work to be performed pursuant to the ACO, including without limitation the use of any risk based clean-up levels or goals or other regulatory approved clean-up levels or goals, unless approved in advance in writing by the Port Authority and that no Port Authority approval shall release the Lessee from any of its obligations under this Lease, provided, however, the Lessee may in its performance of the Section 2B Work use the Approved Cleanup Criteria for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil and groundwater in, on and under the Premises and provided that the Lessee shall comply with all requirements of all Governmental Authorities for the use of the Approved Cleanup Criteria including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport and with all the requirements of the DEC pursuant to the ACO. In performing any work pursuant to the ACO, the Lessee shall comply with all the agreements, terms and conditions of the Lease, this Lease and all applicable Port Authority approvals.

(2) In the event any of the terms, conditions, and provisions of the ACO are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Lease, as between the Port Authority and the Lessee, the terms, conditions and provisions of the Lease shall be controlling, effective and determinative. Neither the ACO nor any action taken or not taken or performance or non-performance thereunder shall affect or alter or be deemed to have affected or altered the rights and remedies of the Port Authority under this Lease or as the operator of the Airport. Further, no fulfillment of the Lessee's obligations pursuant to the ACO or release of the Lessee thereunder by the DEC, including without limitation the issuance of any no further action letter by the DEC, shall or shall be deemed to mean or imply that the Lessee has fulfilled all,

or been released from any, of its obligations under this Lease.

(3) Neither the ACO nor anything contained therein, nor any action taken, approval or release granted or performance pursuant thereto shall release, excuse or relieve the Lessee from any of its promises or obligations under this Lease nor have affected any rights or remedies of the Port Authority with respect to the Lessee or any rights or remedies of the Port Authority under this Lease. In addition, no consent or approval given by the Port Authority in connection with any matter covered by the ACO shall be or shall be deemed to be consent to any matter not expressly set forth in such consent or approval.

(4) The Lessee acknowledges and agrees that the ACO has been entered into between the Lessee and the DEC, that the Port Authority is not a party to the ACO, and that the Port Authority shall have no liability, obligation or responsibility with respect thereto or the obligations, liabilities and responsibilities of the Lessee thereunder and no term, condition or provision of the ACO shall be binding on or effective against or with respect to the Port Authority. Without limiting the generality of the foregoing and notwithstanding any review by the Port Authority of the ACO or any portion thereof nor any comment by the Port Authority thereon or failure of the Port Authority to comment thereon, the Port Authority shall have no liability or responsibility with respect to the information, facts, statements or other matters contained in or covered by the ACO, including without limitation their accuracy, completeness, correctness or truthfulness, nor shall any such information, facts, statements or matters be binding on the Port Authority in anyway whatsoever, including without limitation any presumption that they are accurate, complete, correct or true. In addition, no objection to, review of or comment on nor any failure to review, object to or comment on the ACO by the Port Authority shall or shall be deemed to be any representation or warranty by the Port Authority as to the accuracy, completeness, correctness or truthfulness of any information, fact, statement or matter covered by the ACO, including without limitation, any references to the Port Authority or its policies or requirements.

(5) The Lessee acknowledges and agrees that the ACO shall not create nor be used to create a presumption or admission that the Port Authority is, or be the basis upon which the Port Authority is made or claimed to be, a potentially responsible or responsible party for the contamination covered by the ACO nor shall the inclusion of the Port Authority in the ACO in the same manner as other potentially responsible parties in any way change or affect the Port Authority's obligations or liabilities with respect to such contamination.

(g) Without limiting any other of the Lessee's obligations under the Lease, the Lessee shall provide the General Manager of the Airport at the cost and expense of the Lessee with such information, documentation, records, correspondence, notices, reports, tests results and certifications and any other information necessary to carry out the terms, provisions and conditions of this Agreement and to allow the Port Authority to determine whether the Lessee is in compliance with all of the terms, conditions and provisions of this Agreement. Further, the Lessee agrees

unless directed otherwise by the Port Authority, to provide the General Manager of the Airport with copies of all information, documentation, records, correspondence, notices, certifications, reports, test results, submittals and all other written communication between a Governmental Authority and the Lessee with respect to the ACO Work and any Environmental Requirement which the Lessee is obligated to comply with, obey or execute hereunder or any Environmental Damages at the same time the same are provided by the Lessee to a Governmental Authority and within two (2) business days that the same are provided to the Lessee by a Governmental Authority. The Lessee in reporting any Hazardous Substance at the Airport shall direct such report to the attention of such individual at the subject Governmental Authority as the General Manager of the Airport shall direct in order to assure consistency in the environmental management of the Airport.

(h) The terms and conditions of this Section are intended to allocate obligations and responsibilities between the Lessee and the Port Authority only, and nothing in this Section shall limit, modify or otherwise alter the rights and remedies which the Port Authority or the Lessee may have against third parties at law, equity or otherwise.

(i) (1) Without limiting any other term or provision hereof, all the obligations of the Lessee under this Section shall survive the expiration or termination of the letting of the Premises hereunder, provided, however, the Lessee shall not be responsible for any Hazardous Substances in, on, under or about the Premises which the Lessee can prove occurred after the date that the Lessee shall have surrendered the Premises to the Port Authority and were not due to the acts or omissions of the Lessee.

(2) Between the eighth (8th) and sixth (6th) months immediately preceding the expiration of the letting hereunder and within three months after the effective date of the termination thereof, as the case shall be, the Lessee shall at its sole cost and expense and subject to the terms and provisions of Section 33 hereof entitled "Other Construction by the Lessee", sample and test the soil and groundwater in, on and under the Premises in accordance with such standards, methods, protocol and procedures as shall be required by the Port Authority in it sole discretion after consultation with the Lessee in not less than 100 locations as specified by the Port Authority (such sampling and testing of the soil and groundwater is hereinafter referred to as the "Exit Baseline"). All such sampling, testing and the preparation of any associated report shall be performed by a New York State approved independent consultant and laboratory.

(3) It is hereby understood and agreed that the Exit Baseline and the test results therefrom may be used by the Lessee to evidence that a Hazardous Substance in, on or under the Premises occurred after the date that the Lessee shall have surrendered the Premises to the Port Authority.

(j) It is hereby agreed and understood that effective as of August 1, 1976 Lease AYB-085 shall be and be deemed to have been amended and supplemented to include this Section 59 and

all the terms, provisions, covenants and conditions of this Section 59 shall and shall be deemed to be a part of Lease AYB-085 from and after August 1, 1976 and, further, effective as of January 1, 1993 Section 84 of the Lease AYB-085 entitled "Certain Environmental Testing and Clean-Up Obligations" shall be and be deemed to have been deleted from Lease AYB-085.

(k) It is hereby agreed that for all purposes of this Agreement, including without limitation Section 2B, Section 6, Section 65 and this Section, the following shall apply:

(i) The Port Authority has advised the Lessee that it is the intention of the Port Authority with respect to the application of pollution prevention programs, "best management practices plans" and other voluntary programs and agreements adopted or made by the Port Authority with any governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof constituting Environmental Requirements that the Port Authority will treat the Lessee in a similar manner as similarly situated persons at the Airport.

(ii) The Lessee shall have no responsibility to the Port Authority pursuant to this Lease to clean-up, remove or remediate any Migrated Hazardous Substance unless any Governmental Authority (x) shall require that the Lessee and/or the Port Authority clean-up, remediate or remove such Migrated Hazardous Substance or (y) shall require that such Migrated Hazardous Substance be cleaned-up, remediated or removed by a third person(s) and the Lessee has not provided such third person(s) reasonable access to the Premises to perform such clean-up, remediation or removal.

Section 60. Late Charges

If the Lessee should fail to pay any amount required to be paid by the Lessee under this Agreement when due to the Port Authority, including without limitation any payment of rental or any payment of utility or other charges or if any such amount is found to be due as the result of an audit, then, in such event, the Port Authority may impose (by statement, bill or otherwise) a late charge with respect to each such unpaid amount for each late charge period (hereinbelow described) during the entirety of which such amount remains unpaid, each such late charge not to exceed an amount equal to eight tenths of one percent of such unpaid amount for each late charge period. There shall be twenty-four late charge periods on a calendar year basis; each late charge period shall be for a period of at least fifteen (15) calendar days except one late charge period each calendar year may be for a period of less than fifteen (but not less than thirteen) calendar days. Without limiting the generality of the foregoing, late charge periods in the case of amounts found to have been owing to the Port Authority as the result of Port Authority audit findings shall consist of each late charge period following the date the unpaid amount should have been paid under this Agreement. Each late charge shall be payable immediately upon demand made at any time therefor by the Port Authority. No acceptance by the Port Authority of payment of any unpaid amount or of any unpaid

late charge amount shall be deemed a waiver of the right of the Port Authority of payment of any late charge or late charges payable under the provisions of this Section with respect to such unpaid amount. Each late charge shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally a part of the rental. Nothing in this Section is intended to, or shall be deemed to, affect, alter, modify or diminish in any way (i) any rights of the Port Authority under this Agreement, including without limitation the Port Authority's rights set forth in Section 20 hereof entitled "Termination by the Port Authority" or (ii) any obligations of the Lessee under this Agreement. In the event that any late charge imposed pursuant to this Section shall exceed a legal maximum such late charges payable under this Agreement shall be payable instead at such legal maximum.

Section 61. Financing of the Redevelopment Work

The Lessee hereby agrees to assume and to relieve the Port Authority from all risks and responsibilities whatsoever arising out of or in connection with the financing of or payment for the Redevelopment Work or any portion thereof, including without limitation, obtaining or the failure to obtain financing therefor. The Lessee has advised the Port Authority that as of the Effective Date that it has not obtained financing for the performance of the Redevelopment Work and that notwithstanding that fact, and the further fact that the Lessee's failure to complete and perform the Redevelopment Work as set forth in this Lease shall result in the term of the letting hereunder not being extended beyond December 27, 2015 and affect the amount and duration of the Building Rentals payable hereunder, that the Lessee nevertheless desires to enter into this Amended and Restated Agreement of Lease on the Effective Date even though it may not be able to obtain financing for all or any portion of the Redevelopment Work and as a result may not have the monies available to complete and perform the Redevelopment Work as set forth in this Lease. The Lessee understands that there may be many problems to be resolved before the Lessee obtains financing for the Redevelopment Work and that all such problems may not be resolved. The Lessee hereby acknowledges and agrees it has entered into this Amended and Restated Agreement of Lease being fully cognizant of the fact that the financing of the Redevelopment Work may not be obtained and agrees that neither the fact that it does not have financing for all or portions of the Redevelopment Work on the Effective Date nor any failure to obtain financing for the Redevelopment Work shall not be nor be deemed to be an anticipatory breach of or be the basis of any claim for impossibility of performance of any of the Lessee's obligations, duties or liabilities under the Lease or to otherwise excuse, release, annul, alter, waive, restrict, impair or affect any of such obligations, duties or liabilities. The Lessee further acknowledges and agrees that the Port Authority shall have no obligation whatsoever under the Lease or otherwise, including without limitation, upon any expiration or earlier termination of the letting under the Lease, with respect to the financing of or payment for the Redevelopment Work, including but not limited to, any obligation to approve or enter into any agreement in connection with the financing of the Redevelopment Work or to undertake or not undertake any other action with respect thereto.

Section 62. Future Airport Transportation Facilities and Operations Use of Portions of the Premises

(a) The Lessee understands that the Port Authority is constructing certain ground transportation facilities at the Airport including, but not limited to, a light rail passenger distribution system ("AirTrain"). It is presently contemplated that the AirTrain will generally include a rail transportation system circulating around the Central Terminal Area of the Airport generally aligned along the roadway frontage of the passenger terminal buildings and with stations to serve the passenger terminal buildings in the CTA at various locations. At the discretion of the Port Authority, stations may be located to serve one or more passenger terminal buildings in the CTA, Airport parking areas, rent-a-car facilities, other areas of the Airport and off Airport transit systems. The Lessee agrees to perform the work set forth in paragraph (a)(2)(xvii) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" in connection with the AirTrain. The Port Authority expects to complete the planning and design for the AirTrain and upon completion of such planning and design, to implement the construction of the AirTrain and after the completion of such construction, to maintain and operate the AirTrain for the accommodation and transportation of persons desiring to use the same, and their baggage. The Port Authority will keep the Lessee advised from time to time of the progress of the planning, design and construction of the AirTrain, particularly as it relates to the Premises hereunder. The Lessee acknowledges and agrees that the AirTrain will be a benefit and enhancement to the Airport and to the Lessee's operations thereon.

(b) (1) The Lessee understands that the construction and operation of the AirTrain may require the location on the Premises of a passenger station (including pedestrian access between it and the passenger terminal building) and, in addition, requires the use of a portion or portions of the Premises for and in connection with the construction, maintenance or operation of other portions of the AirTrain. The Lessee agrees that it shall make available to the Port Authority upon demand such use for or in connection with the construction, maintenance and operation of the AirTrain for such purposes as may be required or be appropriate therefor and, where such portion of the AirTrain exclusively serves the Premises, the same shall be made available by the Lessee without abatement of rental or charges hereunder or any payments by the Port Authority to the Lessee therefor. Where such portion of the AirTrain does not exclusively serve the Premises then the rental hereunder shall be abated in accordance with the rental abatement provisions of this Lease.

(2) Without limiting the terms and provisions of paragraph (b)(1) above, the Lessee shall comply with the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" with respect to the design and construction of the AirTrain and the coordination of the same with the Section 2B Work as set forth in said Section 2B.

(c) The Lessee understands that the Port Authority considers the construction, operation and maintenance of the AirTrain of the utmost importance to the efficient operation of the Airport and to the fulfillment of the Port Authority's governmental function to provide, maintain, develop and operate the Airport; that the efficient use and operation of the AirTrain will require that the Lessee in the operation and use of its passenger terminal facilities under this Lease shall utilize and cooperate in the operation of the AirTrain to the end that the AirTrain shall be utilized to the fullest extent possible so that its advantages and efficiencies can be fully realized; and that the Port Authority does not by this Lease intend to enter into any agreement, understanding or commitment which will interfere with, limit, restrict, hinder or prevent in any way the development, construction, maintenance, operation or efficient use of the AirTrain.

(d) The Lessee also understands and acknowledges that the cost of planning, design, construction, maintenance and operation of the AirTrain will be accorded the same cost recovery treatment as the similar elements of the Air Terminal Highway is accorded in the General Airport Agreement for calculation of the flight fees under the General Airport Agreement and the same cost recovery treatment as the Air Terminal Highway is accorded for the calculation of other fees and charges under other existing agreements and policies at the Airport, and under any agreements which may be entered into in the future including agreements to replace such existing agreement(s) or the General Airport Agreement.

(e) The Port Authority has also advised the Lessee that it is the intention of the Port Authority that with respect to the maintenance, operation, use and payment for the AirTrain all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner including the treatment of the cost, if any, of each in connecting its airport terminal facility to the AirTrain.

(f) Without limiting any other provisions of this Section the Lessee understands and agrees that changes and modifications to certain provisions of the Lease including, but not limited to, Section 48 hereof entitled "Ingress and Egress", and Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management", may be required or appropriate to conform the provisions of these Sections to the operation of the AirTrain and the Lessee agrees upon the presentation to it of a form of supplemental agreement to this Lease which includes such modifications it will execute and return the same to the Port Authority. The Port Authority and the Lessee agree that each will consult with the other, from time to time, and will provide information to the other, from time to time, with respect to the study, planning, design, construction, maintenance and operation of the AirTrain and its interconnection with the Lessee's passenger terminal facilities at the Premises.

Section 63. Club Rooms

In the event the Lessee provides any rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests or invitees it shall furnish such rooms or space at its expense and without cost to the Port Authority. The Lessee agrees that any food, alcoholic or non-alcoholic beverages and similar items sold or furnished to the Lessee's passengers, guests or invitees shall be obtained by the Lessee from a Restaurant Operator who has been authorized to operate establishments for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in passenger terminal facilities at the Airport. All monies paid or payable to a Restaurant Operator for such sales shall be included in the Gross Receipts of such Restaurant Operator. In the event the Lessee wishes to use its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items it may do so; provided that the food, alcoholic and non-alcoholic beverages are obtained by the Lessee from a Person who has been issued a permit by the Port Authority granting such Person permission to provide such food and beverages and provided that monies paid therefor, in that event, shall not be included in the Gross Receipts of such Person. If the Lessee uses its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items, the Lessee will not be obligated to pay a fee to the Port Authority which would be greater than the fee that would be retained by the Port Authority if the food, alcoholic or non-alcoholic beverages and similar items were served by a Restaurant Operator.

Section 64. Lessee's Service Standards

Subject to and without limiting or affecting any other term or provision of the Lease, the Lessee agrees to provide services at the Premises for the benefit of the traveling public in a manner consistent with generally accepted airline industry standards for airport terminals and will cooperate with the Port Authority and other airlines serving the traveling public at the Airport in maintaining these standards through organized airport service improvement working groups.

Section 65. Storage Tanks

(a) All underground storage tanks and all above ground storage tanks installed in the Premises as of the commencement of the Lessee's occupancy of the Premises or any portion thereof, together with all underground storage tanks and all above ground storage tanks installed in the Premises during the term of the letting hereunder or during the letting or use of the Premises by the Lessee under any previous agreement, and its or their appurtenances, pipes, lines, fixtures and other related equipment are hereinafter collectively called the "Tanks" and singularly called a "Tank". Notwithstanding any other facts or circumstances the contrary including without limitation any vesting of title to the Tanks in the City of New York pursuant to any construction or alteration application or otherwise, the Lessee hereby agrees that title and ownership of the Tanks shall be and remain in the Lessee, that all Tanks shall be registered by the Lessee in the name of the Lessee as operator and owner and that the Lessee shall have full and sole responsibility for all the Tanks, and shall release and relieve the Port Authority from all costs and responsibility for the Tanks. The Port Authority has made no representations or warranties with respect to the Tanks or their location and

shall assume no responsibility for the Tanks. All Tanks installed by the Lessee shall be installed pursuant to the terms and conditions of the Lease including without limitation Section 33 hereof entitled "Other Construction by the Lessee" and nothing in this Section shall or shall be deemed to be permission or authorization to install any Tanks.

(b) Without limiting the generality of any of the provisions of the Lease, the Lessee agrees that it shall be solely responsible for maintaining, testing and repairing the Tanks. The Lessee shall not perform any servicing, repair or non-routine maintenance to the Tanks without the prior written approval of the Port Authority. In addition, the Lessee, at its sole cost and expense, shall make all modifications to the Tanks and take all other actions so that the Tanks shall at all times comply with all applicable Environmental Requirements.

(c) (1) The Lessee shall remove all the Tanks from the Premises on or before the expiration of the Lease (unless the Lessee shall have received the prior written approval of the Port Authority to have abandoned a tank in place and such abandonment continues to meet all applicable Environmental Requirements) and the Lessee agrees to dispose of the Tanks off the Airport in accordance with all applicable Environmental Requirements.

(2) Any removal of the Tanks shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval and in connection with such removal, the Lessee shall restore the Premises to the same condition existing prior to the installation of the Tanks, shall perform such testing of the Tanks and of the soil, sub-soil and ground water in the vicinity of the Tanks as shall be required by the Port Authority and shall clean-up and remediate any contamination disclosed by said testing. In the event the Lessee does not remove the Tanks as required by subparagraph (l) above, the Port Authority may enter upon the Premises and effect the removal and disposal of the Tanks, restoration of the Premises and such remediation and the Lessee hereby agrees to pay all costs and expenses of the Port Authority arising out of such removal, disposal, restoration and remediation.

(d) Without limiting the generality of any other term or provision of the Lease, the Lessee shall at its cost and expense comply with all Environmental Requirements applicable to the Tanks, including without limitation any modifications or closures required thereby, and any Discharge (as defined in paragraph (i) hereof) including without limitation testing the Tanks and registering the Tanks in the name of the Lessee as owner and operator, submitting all required clean-up plans, bonds and other financial assurances, performing all required clean-up and remediation of Discharges and filing all reports, making all submissions to, providing all information required by, and complying with all requirements of, all Governmental Authorities pursuant to all such Environmental Requirements. Nothing in the foregoing shall be construed as a submission by the Port Authority to the application to itself of the Environmental Requirements, provided, however, no immunity or exemption of the Port Authority from the Environmental Requirements shall excuse the compliance therewith by the Lessee or shall be grounds for non-

compliance therewith by the Lessee.

(e) (1) Without limiting the terms and provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" and Section 13 hereof entitled "Indemnity and Liability Insurance", the Lessee hereby assumes all risks arising out of or in connection with the Tanks and all Discharges whether or not foreseen or unforeseen and shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against (and shall reimburse the Port Authority for their costs and expenses including without limitation penalties, fines, liabilities, settlements, damages, attorney and consultant fees, investigation and laboratory fees, clean-up and remediation costs, court costs and litigation expenses), all claims and demands, just or unjust, of third Persons (such claims and demands being hereinafter in this Section referred to as "Claims" and singularly referred to as a "Claim") including but not limited to those for personal injuries (including death), property damages, or environmental impairment, arising or alleged to arise out of or in any way related to, the failure of the Lessee to comply with each and every term and provision of the Lease, or the Tanks, or any Discharge, or any lawsuit brought or threatened, settlement reached or any governmental order relating to the Tanks or a Discharge, or any violation of any Environmental Requirement or demands of any Governmental Authority based upon or in any way related to the Tanks or a Discharge, and whether such arise out of the acts or omissions of the Lessee or of the contractors of the Lessee or of third Persons or out of the acts of God or the public enemy or otherwise including Claims by the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims. It is understood the foregoing indemnity shall cover all claims, demands, penalties, settlements, damages, fines, costs and expenses of or imposed by any Governmental Authority under the aforesaid Environmental Requirements.

(2) If so directed the Lessee shall at its expense defend any suit based upon any such Claim (even if such Claim is groundless, false or fraudulent) and in handling such it shall not without first having express advance permission from the General Counsel of the Port Authority raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(3) The terms and conditions of this paragraph (e) are intended to allocate obligations and responsibilities between the Lessee and the Port Authority only, and nothing in this paragraph (e) shall limit, modify or otherwise alter the rights and remedies which the Port Authority or the Lessee may have against third parties at law, equity or otherwise.

(f) Without limiting or affecting the terms and provisions of Section 23 hereof entitled "Survival of the Obligations of the Lessee", the Lessee's obligations under this Section shall survive

the expiration or earlier termination of the Lease.

(g) In addition to the requirements of Section 6 hereof entitled "Compliance with Governmental Regulations" and paragraph (d) of this Section, the Port Authority shall have the right upon notice to the Lessee to direct the Lessee, at the Lessee's sole cost and expense, (i) to perform such reasonable testing of the Tanks as the Port Authority shall direct and to perform such testing of the soil, subsoil and ground water of the Premises and of such surrounding area as the Port Authority shall direct, and (ii) to clean-up and remediate any Discharge, regardless of whether any Environmental Requirement or Governmental Authority shall require such testing, clean-up or remediation, which testing, clean-up and remediation shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval.

(h) In the Lessee's use and operation of the Tanks, the Lessee shall not permit any Hazardous Substance from entering the ground including without limitation (subject to Section 33 hereof entitled "Other Construction by the Lessee") installing appropriate spill and overfill devices and placing an impervious material, such as asphalt or concrete, over the ground area above or under, as the case shall be, and in the vicinity of the Tanks.

(i) As used in this Section, "Discharge" shall mean the presence, pumping, pouring, venting, emitting, emptying, leakage, deposit, spill, discharge or other release of Hazardous Substances from the Tanks or in connection with their use, operation, maintenance, testing or repair.

Section 66. Non-Discrimination

(a) Without limiting the generality of any of the provisions of this Agreement, the Lessee, for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, creed, color, sex or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Premises, (2) that in the construction of any improvements on, over, or under the Premises and furnishing of services thereon, no person on the ground of race, creed, color, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended, and any other present or future laws, rules, regulations, orders or directions of the United States of America with respect thereto which from time to time may be applicable to the Lessee's operations at the Airport, whether by reason of agreement between the Port Authority and the United States Government or otherwise.

(b) The Lessee shall include the provisions of paragraph (a) of this Section in every sublease, agreement or concession it may make pursuant to which any Person or Persons, other than the Lessee, operates any facility at the Airport providing services to the public and shall also include therein a provision granting the Port Authority a right to take such action as the United States may direct to enforce such covenant.

(c) The Lessee's noncompliance with the provisions of this Section shall constitute a material breach of this Agreement. In the event of the breach by the Lessee of any of the above nondiscrimination provisions the Port Authority may take appropriate action to enforce compliance; or in the event such noncompliance shall continue for a period of twenty (20) days after receipt of written notice from the Port Authority, the Port Authority shall have the right to terminate this Agreement and the letting hereunder with the same force and effect as a termination under Section 20 hereof entitled "Termination by the Port Authority", or may pursue such other remedies as may be provided by law; and as to any or all the foregoing, the Port Authority may take such action as the United States may direct.

(d) The Lessee shall indemnify and hold harmless the Port Authority from any claims and demands of third Persons, including the United States of America resulting from the Lessee's noncompliance with any of the provisions of this Section and the Lessee shall reimburse the Port Authority for any loss or expense incurred by reason of such noncompliance.

(e) Nothing contained in this Section shall grant or shall be deemed to grant to the Lessee the right to transfer or assign this Agreement, to make any agreement or concession of the type mentioned in paragraph (b) hereof, or any right to perform any construction on the Premises.

Section 67. Affirmative Action

The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

Section 68. The Lessee's Ongoing Affirmative Action, Equal Opportunity and Local Business Enterprises Commitment

I. The Lessee's Ongoing Affirmative Action, Equal Opportunity Commitment

(a) In addition to and without limiting any other term or provision of this Agreement, the Lessee shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status and shall undertake or continue existing programs of affirmative action to ensure that minority group persons and women are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeship and on-the-job training.

(b) In addition to and without limiting the foregoing, and without limiting the provisions of Section 66 hereof entitled "Non-Discrimination" and Schedule E, it is hereby agreed that the Lessee in connection with its continuing operation, maintenance and repair of the Premises, or any portion thereof, and in connection with every award or agreement for concessions or consumer services at the Airport, shall throughout the term of the letting hereunder commit itself to and use good faith efforts to implement an extensive program of affirmative action, including specific affirmative action steps to be taken by the Lessee, to ensure maximum opportunities for employment and contracting by minorities and women, and by Minority Business Enterprises and Women-owned Business Enterprises. In meeting the said commitment the Lessee agrees to submit to the Port Authority for its review and approval its said extensive affirmative action program, including the specific affirmative action steps to be taken by the Lessee to meet its aforesaid commitment, within sixty (60) days after the Effective Date. The Lessee shall incorporate in its said affirmative action program such revisions and changes which the Port Authority initially or from time to time may reasonably require. The Lessee throughout the term of the Lease shall document its efforts in implementing the said program, shall keep the Port Authority fully advised of the Lessee's progress in implementing the said affirmative action program and shall supply to the Port Authority such information, data and documentation with respect thereto as the Port Authority may from time to time and at any time request, including but not limited to annual reports.

(c) Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(1) Dividing the work to be subcontracted into smaller portions where feasible.

(2) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBES, including circulation of solicitations to minority and female contractor associations. The Lessee shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation as called for in paragraph (b) above, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(3) Making plans and specifications for prospective work available to MBEs

and WBEs in sufficient time for review.

(4) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(5) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that the Lessee will meet its obligations hereunder.

(6) Insuring that provisions are made to provide progress payments to MBEs and WBEs on a timely basis, preferably biweekly, and that retainage it paid to MBEs and WBEs when they have completed their work.

(7) Submitting quarterly reports to the Port Authority (Office of Business and Job Opportunity) detailing its compliance with the provisions hereof.

(8) Requiring each contractor to submit to the Lessee with each payment request evidence that all MBE and WBE contractors have been paid in accordance with their contract.

(d) The Lessee's non-compliance with the provisions of this Section shall constitute a material breach of this Agreement. In the event of the breach by the Lessee of any of the above provisions the Port Authority may take any appropriate action to enforce compliance; or in the event such non-compliance shall continue for a period of twenty (20) days after receipt of written notice from the Port Authority, the Port Authority shall have the right to terminate this Agreement and the letting hereunder with the same force and effect as a termination for default by the Lessee in the performance or observance of any other term or provision of this Agreement, or may pursue such other remedies as may be provided by law.

(e) In the implementation of this Section, the Port Authority may consider compliance by the Lessee with the provisions of any federal, state or local law concerning affirmative action equal employment opportunity which are at least equal to the requirements of this Section, as effectuating the provisions of this Section. If the Port Authority determines that by virtue of such compliance with the provisions of any such federal, state or local law that the provisions hereof duplicate or conflict with such law the Port Authority may waive the applicability of the provisions of this Section to the extent that such duplication or conflict exists.

(f) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents.

(g) Nothing in this Section shall grant or be deemed to grant the Lessee the right to make any agreement or award for concessions or consumer services at the Airport.

II. The Lessee's Local Business Enterprise Commitment

The Lessee in connection with any construction work on the Premises, or any portion thereof, shall throughout the term of the letting hereunder commit itself to and use good faith efforts to implement an extensive program to utilize Local Business Enterprises in accordance with and as set forth in Schedule F.

Section 69. Books and Records

(a) The Lessee shall maintain, in English and in accordance with accepted accounting practice full and complete records and books of account for at least seven (7) years (unless such records and books are material to litigation initiated within that time in which event they shall be maintained until final determination of the controversy), which records and books shall include without limitation all agreements and all source documents such as but not limited to original invoices, invoice listings, timekeeping records, and work schedules and shall record (i) the date and hour of each take-off or departure from the Airport of each aircraft operated by it and the date and hour of the landing by such aircraft next preceding each take-off or departure, (ii) all matters which the Lessee is required to certify to the Port Authority pursuant to this Lease, (iii) all transactions of the Lessee at, through, or in anyway connected with the Airport, and outside the Airport if the order therefor is received at the Airport, in connection with all activities conducted by the Lessee or a third Person relating to In-Flight Meals (including without limitation all payments by the Lessee to its independent contractors which furnish In-Flight Meals or any portion thereof), services provided to Handled Airlines, Accommodated Sublessee Airlines, ground transportation, subleasing of the Premises or any other activity at the Airport or outside the Airport if the order therefor is received at the Airport and which may require pursuant to the terms of this Lease, the General Airport Agreement, any other agreement between the Lessee and the Port Authority or otherwise the payment by the Lessee to the Port Authority of fees, rentals or other amounts in connection with the conduct thereof, and (iv) any other matter concerning the Lessee's operations at the Airport with respect to which the Port Authority may reasonably need information to fulfill its obligations or exercise its rights under this Lease whether or not of the type enumerated above and whether or not an express obligation to keep books and records with regard thereto is expressly set forth elsewhere in this Lease, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each of the foregoing items, matters, transactions and activities, it being understood and agreed that nothing in this Section shall grant or shall be deemed to have granted any rights in the Lessee or any third Person to conduct any business, privilege or other activity or transaction at the Airport or off the Airport.

(b) The Lessee shall cause any Affiliate, if any such Affiliate performs services similar

to those performed by the Lessee, to maintain, in English and in accordance with accepted accounting practice full and complete records and books of account for at least seven (7) years (unless such records and books are material to litigation initiated within that time in which event they shall be maintained until final determination of the controversy), which records and books of account shall include without limitation all agreements and all source documents such as but not limited to original invoices, invoice listings, timekeeping records, and work schedules and shall record all transactions of each Affiliate at, through, or in anywise connected with the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(c) The Lessee shall permit and/or cause to be permitted in ordinary business hours during the term of the letting under this Lease, for one (1) year thereafter, and during such further period as is mentioned in the preceding paragraphs (a) and (b), the examination and audit by the officers, employees and representatives of the Port Authority of all the records and books of account of the Lessee (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents) and all the records and books of account of all Affiliates (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents) (all of the foregoing records and books described in this paragraph (c) being hereinafter collectively referred to as the "Books and Records") within ten (10) days following any request by the Port Authority from time to time and at any time to examine and audit any Books and Records;

(d) The Lessee shall install and use such equipment and devices, including without limitation computerized record keeping systems, for recording orders taken, or services rendered, as may be appropriate to the Lessee's business and necessary or desirable to keep accurate Books and Records, and without limiting the generality of the foregoing, for any activity involving cash sales, install and use cash registers or other electronic cash control equipment that provides for non-resettable totals and shall permit the inspection by the officers, employees and representatives of the Port Authority of any equipment used by the Lessee, including but not limited to the any of the foregoing equipment.

(e) Without implying any limitation on the right of the Port Authority to terminate this Lease, including but not limited to, for breach of any term, condition or provision of paragraphs (a) through (d) above, the Lessee understands that the full reporting and disclosure to the Port Authority of all of the information described in paragraphs (a) through (d) above and provided by the equipment and devices set forth in paragraphs (a) through (d) above and the Lessee's compliance with all the provisions of said paragraphs (a) through (d) are of the utmost importance to the Port

Authority. In the event any Books and Records are maintained outside the Port of New York District or in the event of the failure of the Lessee to comply with all the provisions of paragraphs (a) through (d) above then, in addition to all, and without limiting any other, rights and remedies of the Port Authority under this Lease or otherwise and in addition to all of the Lessee's other obligations under this Lease:

(i) the Port Authority may estimate any amount paid or payable to the Port Authority on any basis that the Port Authority, in its sole discretion, shall deem appropriate, such estimation to be final and binding on the Lessee and the amounts payable to the Port Authority based thereon shall be payable to the Port Authority when billed; and/or

(ii) if any Books and Records are maintained outside of the Port of New York District, then the Port Authority in its sole discretion may (x) require on ten (10) days' notice to the Lessee that any such Books and Records be made available to the Port Authority within the Port of New York District for examination and audit pursuant to paragraph (c) hereof and/or (y) examine and audit any such Books and Records pursuant to paragraph (c) hereof at the location(s) they are maintained and if such Books and Records are maintained within the contiguous United States the Lessee shall pay to the Port Authority when billed all travel costs and related expenses, as determined by the Port Authority, for Port Authority auditors and other representatives, employees and officers in connection with such examination and audit and if such Books and Records are maintained outside the contiguous United States the Lessee shall pay to the Port Authority when billed all costs and expenses of the Port Authority, as determined by the Port Authority, of such examination and audit, including but not limited to, salaries, benefits, travel costs and related expenses, overhead costs, and fees and charges of third party auditors retained by the Port Authority for the purpose of conducting such audit and examination.

(f) Without implying any limitation on the rights or remedies of the Port Authority under this Lease or otherwise including without limitation the right of the Port Authority to terminate the Lease for breach of any term or provision of this Section and in addition thereto, in the event any of the Books and Records are not maintained in English, then the Lessee shall pay to the Port Authority when billed, all costs and expenses of the Port Authority, as determined by the Port Authority, to translate such Books and Records into English.

(g) Without limiting the generality of Section 16 hereof entitled "Additional Rent and Charges", the foregoing auditing costs, expenses and amounts of the Port Authority set forth in paragraphs (e) and (f) above shall be deemed rentals hereunder payable to the Port Authority with the same force and effect as the rentals payable to the Port Authority pursuant to Section 4 hereof entitled "Rental".

Section 70. Off-Premises Roads-No Restriction of Port Authority Right

Neither the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", nor the construction thereunder by the Lessee of the Off-Premises Roads, nor any payment of costs thereof by the Lessee shall prevent or restrict the right of the Port Authority to designate the Off-Premises Roads as part of the Air Terminal Highways, upon the Lessee's completion of the construction thereof, and to make the same available to the general public for general or limited highway use; the Port Authority to make said Off-Premises Roads, after the Lessee's satisfactory completion thereof and acceptance of the same by the Port Authority, as part of the Air Terminal Highways in accordance with and subject to its policy or policies governing or which may govern such matters.

Section 71. Ground Transportation Services

(a) The Lessee shall make available within the Premises at reasonable rental rates, such counter spaces and wall telephone installations at such locations as may be determined by the Port Authority and the Lessee for use by limousine, bus, car rental, taxi and other ground transportation operators at the Airport, all of the foregoing being hereinafter called the "Ground Transportation Operators". The Lessee shall enter into an agreement only with Ground Transportation Operators designated or approved by the Port Authority, covering the occupancy of said counter space, which agreement may provide for the payment of a basic rental (but no other rental, charge or fee of any kind) to the Lessee for the counter space, provided that such basic rental shall represent a fair and reasonable rental for the counter space. The Port Authority shall have the right to, in its agreement with any Ground Transportation Operator, impose obligations on the Ground Transportation Operator with respect to its operation at the counter space, including but not limited to the dissemination of information applicable to said service, and may charge such fees payable to the Port Authority as it may determine.

(b) (1) In lieu of the provisions of paragraph (a) of this Section obligating the Lessee to make available counter spaces and wall telephone installations with respect to limousine, bus and other Ground Transportation Operators at the Airport (but not including car rental operators as to which the provisions of paragraph (a) shall be and continue in full force and effect) the Lessee shall provide to the Port Authority or its contractor, without charge, such counter space at such locations as may be specified by the Port Authority within the Premises as may reasonably be required for use as consolidated ground transportation reservation and information counter (hereinafter called the "Consolidated Counters") to be operated by the Port Authority or its contractors.

(2) The Lessee agrees to provide access to and from the public ways outside the Premises to the Port Authority, its employees and its contractors and the ground transportation patrons and other users of the Consolidated Counters; to permit use of such portions of the public pedestrian circulation areas of the Premises as may reasonably be required for the operation of the Consolidated Counters and the accommodation of the users thereof; and to permit

the installation of such telephone and other communication lines, cables and conduits on and across the Premises as may be required for the operation of the Consolidated Counters. The Lessee acknowledges and agrees that the Consolidated Counters shall at all times be a part of the Premises under this Agreement and subject to all the terms and provisions thereof including, but not limited to indemnity, the payment of rentals, repair and maintenance (it being understood that this shall not be deemed to limit the liability of any independent contractor providing such service). Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall install as part of the Redevelopment Work new Consolidated Counters and shall have the right to refurbish or replace the Consolidated Counters from time to time. The Lessee shall, at its sole cost and expense, supply all utilities necessary for the operation of the Consolidated Counters including but not limited to heat, light, ventilation, air conditioning and electricity on a twenty-four (24) hour, seven (7) day a week basis. The Lessee shall not be required to provide telephone service to the Consolidated Counters hereunder.

(3) The Port Authority shall have the right at any time, without cause, on one hundred eighty (180) days' notice to the Lessee to terminate and discontinue the operation of the Consolidated Counters and from and after the effective date stated in said notice the operation of the Consolidated Counters shall terminate and cease and the provisions of this paragraph (b) shall be null, void and of no further force and effect and the provisions of paragraph (a) of this Section and the Lessee's obligations as set forth therein with respect to limousine, bus, car rental and other Ground Transportation Operators shall be deemed reinstated and in full force and effect.

Section 72. Ground Transportation

(a) The Lessee may arrange for the transportation to and from the Airport of its employees and their baggage (and such employees and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called the "Employee Surface Carrier(s)") of its choice, provided, that such Employee Surface Carrier(s) are at all times Ground Carrier Permittees of the Port Authority as defined in paragraph (b) hereof and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the Gross Receipts received from the ground transportation of employees and their baggage by the Employee Surface Carrier(s) providing such service, or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by the passengers and are directly payable to the taxing authority by the Lessee or by the Employee Surface Carrier(s)) shall be paid to the Port Authority. No fee shall be paid by the Lessee to the Port Authority in connection with the ground transportation of employees and their baggage if the Lessee operates the service itself and if the Lessee makes no charge to its employees and their baggage therefor.

(b) The Port Authority shall endeavor to issue permits to at least twelve (12)

qualified surface carriers (herein called the "Ground Carrier Permittees") which permits shall grant to said Ground Carrier Permittees the privilege of providing a service for the transportation to and from the Airport of employees and their baggage of all Aircraft Operators at the Airport. Each permit shall provide that the Port Authority shall have the right at any time to revoke the permit granted to any Ground Carrier Permittee with or without cause and regardless of whether any such Ground Carrier Permittee is an Employee Surface Carrier(s) of the Lessee and regardless of any agreement between the Lessee and its Employee Surface Carrier(s). Without limiting the foregoing right, if the Ground Carrier Permittee selected by the Lessee shall at any time fail to pay the Port Authority ten percent (10%) or such other percentage of its Gross Receipts as established pursuant to paragraph (e) hereof as required under the permit, the Port Authority shall have the right in addition to all other rights and remedies, to deny such Permittee entrance upon the Airport for the purpose of transporting employees and their baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same. In the event that there should at any time during the term of this Lease be less than twelve (12) Ground Carrier Permittees in operation at the Airport the Lessee shall have the right to engage an Employee Surface Carrier(s) of its choice to provide the service set forth in paragraph (a) hereof, subject, however, to the prior and continuing approval of the Port Authority, and provided that such Employee Surface Carrier(s) agrees to become a permittee of the Port Authority and to pay a percentage of its Gross Receipts to the Port Authority in accordance with paragraphs (a) and (e) hereof and only for so long as such permittee observes and complies with the terms of its permit, it being understood that said Employee Surface Carrier(s) may be restricted to serving the Lessee at the Airport. At such time thereafter as there is in operation at the Airport at least twelve (12) Ground Carrier Permittees, the permit with the said Employee Surface Carrier(s) may be revoked by the Port Authority and the Lessee shall thereupon select an Employee Surface Carrier(s) from the Ground Carrier Permittees of the Port Authority. Nothing contained hereunder shall be deemed to preclude the Port Authority from issuing from time to time during the term of the Lease permits to more than twelve (12) Ground Carrier Permittees. The Permits with the Ground Carrier Permittees may contain privileges other than those set forth in this paragraph (b), including but not limited to the privilege to transport passengers and baggage of Aircraft Operators. All permits shall contain such terms or provisions as the Port Authority may deem from time to time necessary or desirable.

(c) The Port Authority hereby states its intention to attempt to incorporate, into all existing leases and into all new leases with all Scheduled Aircraft Operators covering passenger terminal facilities within the Central Terminal Area, provisions having the same effect as the provisions of paragraphs (a) and (b) of this Section. The provisions of this Section shall be applicable as well to Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or Handling Agreement with any unit terminal lessee or with the Lessee hereunder or with any sublessee thereof (the foregoing not to waive the requirement for Port Authority consent).

(d) The Lessee may arrange for the transportation to and from the Airport of

passengers and their baggage (and such passengers and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called "Passenger Surface Carrier or Carriers") of its choice, subject, however, to the prior and continuing approval of the Port Authority and provided, that such Passenger Surface Carrier or Carriers agree to become Permittees of the Port Authority and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the Gross Receipts received from the ground transportation of passengers and baggage by the Passenger Surface Carrier or Carriers providing such service or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by and are directly payable to the taxing authority by the Lessee or by the Passenger Surface Carrier or Carriers) shall be paid to the Port Authority. If the Passenger Surface Carrier designated by the Lessee shall at any time fail to pay to the Port Authority ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of its Gross Receipts as aforesaid when billed therefor by the Port Authority, the Port Authority shall have the right to deny such carrier entrance upon the Airport for the purpose of transporting passengers and baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same.

(e) It is recognized that the Port Authority has established a five percent (5%) fee with respect to the service covered by paragraphs (a) and (d) hereof in lieu of the ten percent (10%) fee therein stated. It is hereby specifically understood and agreed that the fact that said fee is presently five percent (5%) shall not constitute a waiver by the Port Authority of its right to impose a percentage fee of ten percent (10%) as provided in paragraphs (a) and (d). It is hereby specifically agreed that the Port Authority shall have the right at any time and from time to time during the term of this Lease to revise the percentage fee it shall charge the Employee Surface Carrier(s), other permittees and the Lessee as provided in paragraphs (a) and (d) hereof but in no event shall said fee be greater than ten percent (10%). The Port Authority shall notify the Lessee of any such revision.

(f) The Lessee may arrange for the transportation to and from the Airport of freight and other cargo of the Lessee either directly or by contract with the surface carrier or carriers of its choice. No Permit or fee shall be required of the Lessee or its contractor for the picking up from or the delivery to of freight or other cargo from or to the Lessee. No fee shall be paid to the Port Authority by the Lessee or its contractor for the privilege of transporting freight or cargo of the Lessee on the surface as aforesaid. If such contractor of the Lessee enters into a Lease or other agreement with the Port Authority for space and/or privileges at the Airport, the rent or other compensation payable to the Port Authority shall not be measured by the amount of freight or other cargo of the Lessee transported on the surface by such contractor.

(g) The right of the Lessee to arrange transportation to and from the Airport of its airline passengers as hereinabove provided shall not be construed as being applicable to any establishment or operation by the Lessee of facilities outside the Airport for the handling of airline passengers of the Lessee arriving at or departing from the Airport.

(h) As used in this Section, reference to passengers, baggage, freight or other cargo of the Lessee shall be construed to mean persons, baggage, freight or cargo transported or to be transported on aircraft of the Lessee.

(i) The Ground Carrier Permittee of the Lessee's choice, its Passengers Surface Carrier or Carriers or any other contractor used by it shall not solicit business on the public areas of the Airport and the Lessee shall prohibit any such activity on the Premises or on any other area at the Airport occupied by the Lessee. The use, at any time, either on the Premises or elsewhere on the Airport of hand or standard megaphones, loudspeakers or any electric, electronic or other amplifying devices is hereby expressly prohibited and any advertising or signs shall be subject to continuing Port Authority approval.

(j) Effective as of January 1, 1972, the provisions of this Section superseded the provisions of Section 4.11 of Title IV of the General Airport Agreement and from and after said date said provisions of said Section 4.11 of Title IV were no longer of any force or effect.

Section 73. Ground Transportation Within the Central Terminal Area

(a) The Port Authority has established at Airport a Central Terminal Area generally as described in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 73.1" and hereinafter called "Exhibit 73.1". If at any time and from time to time during the term of the Lease, the Port Authority substantially revises the Central Terminal Area, it shall thereafter forward to the Lessee a revised exhibit showing the revised Central Terminal Area which revised exhibit shall replace Exhibit 73.1 and shall become a part of the Lease.

(b) (1) The Lessee hereby agrees that it will not directly, indirectly or by arrangement with any independent third party, operate any surface vehicles for the transportation of its passengers to or from the Premises and the various other passenger terminal facilities or other locations within the Central Terminal Area. The prohibition hereinabove set forth in this paragraph (b) shall be in effect only during such periods as there is in operation at the Airport a CTA Ground Transportation Service as hereinafter defined to be provided by an independent third party contractor. The "CTA Ground Transportation Service" shall consist of the following: a ground transportation service for the transportation of airline passengers and other persons between the various passenger terminal facilities, including the Premises, within the Central Terminal Area including the service of transporting a group of passengers where the Aircraft Operator must accommodate the group as a whole (hereinafter called the "CTA Omnibus Service") and a ground transportation service for the transportation of passengers of Aircraft Operators within the Central Terminal Area, but only when a passenger is disabled, the passenger must take a direct connection and where time is critical, and in the very limited instance where an Aircraft Operator must accommodate a particular passenger, the foregoing service being hereinafter called the "CTA Supplementary Service". It is understood furthermore that, notwithstanding the prohibition

hereinabove set forth in this paragraph (b), the Lessee may directly, indirectly or by arrangement with an independent third party, operate surface vehicles for the transportation of its passengers to or from the Premises and such passenger terminal facility of the Lessee, if any, located outside the Central Terminal Area, provided, that the Lessee has the prior and continuing approval of the Port Authority to operate such passenger terminal facility outside the Central Terminal Area, that the aforesaid service shall not serve any passenger terminal facility or location within the Central Terminal Area other than the Premises and that if the Lessee utilizes a third party to provide the service, said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its Gross Receipts to the Port Authority with respect to said service as specified in said permit and shall comply with all the terms and conditions of its permit.

(2) Nothing contained in this paragraph (b) or paragraph (c) hereof shall impose or be construed as imposing an obligation on the Port Authority to operate or cause to be operated the CTA Ground Transportation Service for the transportation of passengers and other persons between the various passenger terminal facilities, including the Premises, within the Central Terminal Area.

(c) (1) (i) It is hereby agreed that it is in the best interests of the Port Authority and all Participants as hereinafter defined that the CTA Omnibus Service be a good, proper and efficient service, able to adequately, timely and properly handle the ground transportation needs of airline passengers and other persons between the various passenger terminal facilities including the Premises within the Central Terminal Area. The parties recognize furthermore that the CTA Supplementary Service should be a service that would transport those persons authorized to be carried thereon in an adequate, proper and timely manner so as to meet their flight connections.

(ii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA Omnibus Service and shall, except in case of emergency, give the Participants prior written notice of any substantive changes with respect thereto. Notwithstanding the foregoing, it is hereby understood and agreed that the procedures, schedules, fares, prices, operations and other matters affecting the CTA Omnibus Service shall be determined by the Port Authority.

(iii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA Supplementary Service. Before adopting any initial procedures or schedules covering the operation of the CTA Supplementary Service and before putting into effect any modifications to any procedures or schedules then in effect with respect to the CTA Supplementary Service, except in case of emergency, the Port Authority shall submit the initial or the changed

procedures and schedules (hereinafter called the "Submissions") to the Participants for their approval. If Participants representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all Participants for the calendar year prior to the year in which the Submissions are made to the Participants for their approval, approve the same, the Submissions shall be deemed to be approved for all purposes hereunder and said approval shall be deemed binding as well upon all other Aircraft Operators who may use or pay for the CTA Supplementary Service, notwithstanding the fact that said Submissions had not been submitted to them for their approval. Notwithstanding anything herein provided and without limiting the provisions of paragraph (b) hereof, it is hereby understood and agreed that the Port Authority shall have no obligation hereunder to itself operate the CTA Ground Transportation Service nor any obligation to operate said service through an independent contractor unless and until the Submissions with respect to the CTA Supplementary Service submitted as aforesaid to the Participants have been approved by the Participants in accordance with the foregoing provisions. The failure of any Participant to disapprove the Submissions within twenty (20) days after submission thereof to it for approval shall constitute such Participant's approval hereunder to said Submissions.

(iv) It is hereby understood and agreed that the amount to be charged for the CTA Supplementary Service shall consist of an Initial Price and, if the Port Authority so elects from time to time during the term of the Lease, an Excess Price. The Initial Price shall be based upon the cost of the CTA Supplementary Service. The Lessee shall pay to the Port Authority as and representing the Initial Price its pro rata share of the cost to the Port Authority of providing the CTA Supplementary Service. The Lessee's pro rata share of the cost to the Port Authority of providing the CTA Supplementary Service shall be that proportion of said cost as the number of passengers of the Lessee who actually used the CTA Supplementary Service bears to the total number of passengers using the CTA Supplementary Service. Except as provided in the subparagraph (1)(v)(D) hereof, there will be no charge to the Lessee of either an Initial Price or an Excess Price if the Lessee does not have any passengers using the CTA Supplementary Service.

(v) (A) The Initial Price payable to the Port Authority pursuant to subparagraph (iv) hereof is for each calendar year, but in the event the term of the Lease expires or the provisions covering the CTA Supplementary Service are terminated on a day other than the last day of a calendar year, then in any such event the Initial Price payable to the Port Authority pursuant to subparagraph (iv) hereof shall, for the year during which such event occurs, be for such portion of said year during which the Port Authority provides the CTA Supplementary Service. In determining the Initial Price, the cost of the CTA Supplementary Service shall be computed, determined and ascertained for each calendar year (or portion thereof upon the occurrence of any of the events mentioned in the first sentence hereof) of the term of this Lease.

(B) Notwithstanding the foregoing and for current monthly or other periodical billing purposes as may from time to time be selected by the Port Authority, the

Port Authority shall establish interim billing rates to cover the Initial Price for the CTA Supplementary Service. Such billing rates shall be based on determinations by the Port Authority of its estimate of the cost of the CTA Supplementary Service for the calendar year and the number of passengers to be using the CTA Supplementary Service for said calendar year. Such determinations shall be based upon the prior calendar year's experience, if any, and upon such other reasonable basis as the Port Authority may determine. The Port Authority may prospectively revise its billing rates during any calendar year. On the 20th day of each calendar month the Lessee shall pay to the Port Authority the amount due as the Initial Price for the preceding calendar month, which shall be determined by multiplying the interim billing rate per passenger for the Initial Price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA Supplementary Service for the previous calendar month.

(C) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA Supplementary Service and the Initial Price payable therefore. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be promptly credited to it.

(D) In the event and only in the event that the CTA Supplementary Service for all or any portion of a calendar year has been provided by the Port Authority but there has been no use thereof by any of the Participants, then the Initial Price and the Excess Price shall be payable by all Participants and each Participant's share shall be based on the number of passengers on its outbound and inbound aircraft at the Airport compared to the total number of passengers on all inbound and outbound aircraft using the Airport of all Participants. The Port Authority agrees that, if as of the commencement of any calendar year there appears to be no use by the Participants of the CTA Supplementary Service, it will use all reasonable efforts to limit its payments to the contractor for the CTA Supplementary Service for such period where there appears to be no use.

(vi) (A) The Port Authority shall have full discretion in awarding a contract for the CTA Ground Transportation Service and may award the same to a contractor who has not proposed the lowest price for the CTA Supplementary Service or the CTA Omnibus Service. As stated in subparagraph (1)(iv) hereof the Port Authority shall have the right to charge the Lessee, in addition to the Initial Price for the CTA Supplementary Service, an additional amount herein called the "Excess Price", which amount shall be applied to offset any deficit in the CTA Omnibus Service.

(B) The amount representing the Excess Price shall be an amount payable only by the Lessee if it uses the CTA Supplementary Service and shall be an amount fixed for each passenger using the CTA Supplementary Service. The Port Authority shall

advise the Participants prior to the beginning of each calendar year of the amount per passenger which shall constitute the Excess Price for said calendar year. On the 20th day of each calendar month during the term of this Lease and on the 20th day of the calendar month immediately following the end of the term of this Lease, the Lessee shall pay to the Port Authority the amount due as the Excess Price for the preceding calendar month, which shall be determined by multiplying the amount per passenger for the Excess Price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA Supplementary Service for the previous calendar month. As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA Omnibus Service for said calendar year. If there is no deficit or if the deficit is less than the amount received by the Port Authority from users of the CTA Omnibus Service, then the total amount of the Excess Price if there is no deficit or the amount of the Excess Price which is over and above any deficit on the CTA Omnibus Service shall be refunded or credited to the Participants based on the portion of each Participant's payments of the Excess Price for said calendar year as compared to the total amount received as the Excess Price from all Participants. In determining whether or not there is a deficit or in determining the amount of the deficit, revenues from the CTA Omnibus Service shall be deemed to be 87.5% of the cost of the CTA Omnibus Service whether or not the revenues actually received add up to 87.5%, but if said revenues exceed 87.5% of the cost, the actual amount of revenues received shall be used.

(vii) The Port Authority shall determine for each calendar year (or portion thereof, where applicable) the cost to the Port Authority of providing the CTA Omnibus Service and the cost to the Port Authority of providing the CTA Supplementary Service. Each such cost shall be determined in accordance with the Port Authority's normal accounting practice and shall consist of those of the following items, which are applicable to each such service:

(A) All payments made by the Port Authority to the independent contractor for providing the CTA Supplementary Service or the CTA Omnibus Service, as the case may be (it being understood that the Port Authority shall not impose any percentage charge or fee on the contractor for such services);

(B) On-the-job payroll costs of Port Authority employees working in any aspect of the CTA Supplementary Service or the CTA Omnibus Service, as the case may be, including but not limited to contributions to any retirement system or the cost of participation in any pension plans or the like, social security, old age, survivors, disability and employment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees;

(C) The cost (including rental charges) to the Port Authority of providing space, equipment, materials, facilities or services to or in connection with the CTA Omnibus Service or the CTA Supplementary Service, as the case may be;

advise the Participants prior to the beginning of each calendar year of the amount per passenger which shall constitute the Excess Price for said calendar year. On the 20th day of each calendar month during the term of this Lease and on the 20th day of the calendar month immediately following the end of the term of this Lease, the Lessee shall pay to the Port Authority the amount due as the Excess Price for the preceding calendar month, which shall be determined by multiplying the amount per passenger for the Excess Price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA Supplementary Service for the previous calendar month. As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA Omnibus Service for said calendar year. If there is no deficit or if the deficit is less than the amount received by the Port Authority from users of the CTA Omnibus Service, then the total amount of the Excess Price if there is no deficit or the amount of the Excess Price which is over and above any deficit on the CTA Omnibus Service shall be refunded or credited to the Participants based on the portion of each Participant's payments of the Excess Price for said calendar year as compared to the total amount received as the Excess Price from all Participants. In determining whether or not there is a deficit or in determining the amount of the deficit, revenues from the CTA Omnibus Service shall be deemed to be 87.5% of the cost of the CTA Omnibus Service whether or not the revenues actually received add up to 87.5%, but if said revenues exceed 87.5% of the cost, the actual amount of revenues received shall be used.

(vii) The Port Authority shall determine for each calendar year (or portion thereof, where applicable) the cost to the Port Authority of providing the CTA Omnibus Service and the cost to the Port Authority of providing the CTA Supplementary Service. Each such cost shall be determined in accordance with the Port Authority's normal accounting practice and shall consist of those of the following items, which are applicable to each such service:

(A) All payments made by the Port Authority to the independent contractor for providing the CTA Supplementary Service or the CTA Omnibus Service, as the case may be (it being understood that the Port Authority shall not impose any percentage charge or fee on the contractor for such services);

(B) On-the-job payroll costs of Port Authority employees working in any aspect of the CTA Supplementary Service or the CTA Omnibus Service, as the case may be, including but not limited to contributions to any retirement system or the cost of participation in any pension plans or the like, social security, old age, survivors, disability and employment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees;

(C) The cost (including rental charges) to the Port Authority of providing space, equipment, materials, facilities or services to or in connection with the CTA Omnibus Service or the CTA Supplementary Service, as the case may be;

(D) Payments of premiums (or to the extent of self-insurance an amount equivalent to what the premiums would have been) for insurance with respect to the CTA Omnibus Service or the CTA Supplementary Service, as the case may be, including without limitation thereto, fire and extended coverage, workmen's compensation and commercial general liability;

(E) Other direct costs as charged under the Port Authority's normal accounting practice;

(F) With respect to the CTA Omnibus Service, ten percent (10%) of the amounts paid to the contractor providing said service under item (A) hereof and with respect to the CTA Supplementary Service, twenty percent (20%) of the amount paid to the contractor providing said service under item (A) hereof.

(viii) In the event that any specific cost incurred or any specific amount expended for any of the items hereinabove set forth covers both the CTA Omnibus Service and the CTA Supplementary Service, then the Port Authority shall divide and allocate any such cost or amount as between the CTA Omnibus Service and the CTA Supplementary Service in accordance with its normal accounting principles.

(2) (i) If at any time during the term of the Lease the Port Authority receives a written notice from at least two Participants (as hereinafter defined) representing more than thirty percent (30%) of the effective published passenger flight schedules to and from the Airport of all Participants for the calendar year prior to the year during which the notice was given, which notice shall be either (x) to the effect that the service being provided by the contractor furnishing the CTA Ground Transportation Service does not satisfy the standards set forth in item (i) of subparagraph (1) hereof and specifying whether it is the CTA Omnibus Service or the CTA Supplementary Service, or both, which is at fault, and further specifying the nature and extent of the failure or (y) to the effect that the Participants serving the notice are dissatisfied for any reason with the service, the Port Authority shall endeavor in the case of item (x) of this subparagraph (2)(i) to rectify the conditions complained of either by the existing contractor doing so or by engaging a new contractor to provide the CTA Ground Transportation Service or by a combination of both.

(ii) If the Port Authority receives, by a date no earlier than one hundred twenty (120) days and no later than one hundred eighty (180) days after its receipt of either notice covered by subparagraph (2)(A) hereof, a written notice from at least two Participants representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all Participants for the year prior to the year during which the notice is given, which notice is to the effect that the Participants sending the notice continue to be dissatisfied with the CTA Ground Transportation Service whether provided by the old contractor, or if said contractor has been replaced, by the new contractor, then the Port Authority agrees that,

effective no later than sixty (60) days after its receipt of said notice (said date to be established by written notice to the Participants) the provisions of this Section covering the CTA Ground Transportation Service shall be terminated and shall no longer be in effect and from and after said date the Lessee shall have the right directly or by arrangement with an independent third party to operate surface vehicles for the transportation of its passengers to and from the Premises and the various other passenger terminal facilities or other locations within the Central Terminal Area, provided, however, that the same shall be used exclusively for the transportation of the Lessee's disabled passengers, passengers who must make a direct connection and where time is critical, in the very limited instances where the Lessee must accommodate particular passengers, and for the transportation of passengers traveling as a group where the Lessee must accommodate the group as a whole, it being understood that the foregoing limitation on the right of the Lessee shall be in effect only during such periods as there is in operation at the Airport a CTA Omnibus Service as defined in paragraph (b) hereof (the Port Authority having no obligation so to do), excluding the transportation of passengers traveling as a group, and provided, however, that if the Lessee utilizes a third party to provide said service, that said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its Gross Receipts to the Port Authority with respect to its service as specified in said permit and shall comply with all the terms and conditions of its permit.

(d) (1) The Port Authority hereby states its intention to attempt to incorporate into all new leases and into all existing leases which may not already include the same with all Persons covering passenger terminal facilities within the Central Terminal Area provisions having the same effect as the provisions of this Section. The term "Participants" shall mean all Persons (including for the purposes hereof, the Lessee) who have executed leases with the Port Authority covering passenger terminal facilities within the Central Terminal Area and containing provisions having the same effect as the provisions of this Section

(2) All Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or Handling Agreement with any Participant (including the Lessee hereunder) shall be obligated to comply with all obligations of this Section which are applicable to the Participants, but said Aircraft Operators shall not be or be deemed to be Participants within the meaning of subparagraph (1) of this paragraph (d), but their activities, operations and payments hereunder shall be deemed to be those of the Participants whose space they are using.

(e) The agreement by the Lessee under paragraph (b) hereof as well as the agreement by the Lessee under paragraph (c)(2) hereof, in the event the provisions covering the CTA Ground Transportation Service are terminated and are no longer in effect, are of the essence of this Section and the Lessee agrees that the Port Authority shall be entitled to a decree against the Lessee requiring the specific performance thereof in any court of equity having jurisdiction. The aforesaid remedy which may be available to the Port Authority hereunder in the event the Lessee

breaches its agreement.

Section 74. Federal Inspection

The Lessee has advised the Port Authority that it intends to make available to the United States a portion or portions of the Premises for Federal Inspection Facilities, if the United States will accept and use the same. The Port Authority shall have no obligation or responsibility of any kind with respect to the foregoing or the arrangements that must be made by the Lessee with the United States and any agencies thereof having jurisdiction.

Section 75. Helicopter Operations

The Lessee hereby acknowledges that the Lease does not grant to it any right and the Lessee does not have any right to use or permit the use of any portion of the Premises for the landing or taking off of helicopters, rotary wing, tilt rotor or other similar aircraft. In the event that the Port Authority determines that approval for such use will be given at any time hereafter, the same shall be granted only in accordance with such terms and conditions, including but not limited to fees, charges and rights of user, as the Port Authority may set forth in a supplement to the Lease, which is duly executed by the Lessee and the Port Authority.

Section 76. Itinerant Aircraft

(a) The Port Authority hereby grants to the Lessee the privilege of permitting the occasional use of the Premises by air taxi, corporate and private aircraft (sometimes hereinafter called the "Itinerant Aircraft") for the sole purpose of discharging or picking up passengers, business guests and other invitees of the Lessee. All operations of such Itinerant Aircraft shall be in compliance with all the terms and provisions of the Lease and with the Rules and Regulations of the Port Authority. The Lessee shall be completely responsible for all acts and omissions of said Itinerant Aircraft as if said acts and omissions were the acts or omissions of the Lessee.

(b) The Port Authority shall have the right to cancel the privilege granted to the Lessee as set forth in paragraph (a) hereof in whole or in part or with respect to any particular Itinerant Aircraft at any time and from time to time and without cause upon thirty (30) days' written notice to the Lessee, and upon the effective date of such notice the Lessee shall no longer have the right to permit all or any specific Itinerant Aircraft as specified in the notice to use the Premises as hereinabove provided, but the same shall not affect the Lease or any of the terms, rentals, fees, provisions or agreements hereof, all of which shall continue in full force and effect.

Section 77. Observation Deck

It is hereby agreed and understood that the Lessee is prohibited from providing or

operating, either by itself or through a third Person, an observation deck on the Premises.

Section 78. In-Flight Meals

(a) In the event Section 8.04 of Title VIII of the General Airport Agreement, shall expire or be canceled or deleted or for any other reason shall be of no further force or effect then the following paragraphs (1), (2) and (3) shall be deemed to apply hereunder and be a part hereof:

(1) If the Lessee desires to prepare, for its exclusive use, In-Flight Meals for consumption by passengers and crew on board aircraft operated by the Lessee and to deliver such In-Flight Meals to such aircraft it shall have the right to do so, individually or through a contractor of its own choice (which contractor shall not be another Person engaged in the business of transportation by aircraft). If the Lessee does so directly, it shall do so only on space located outside the Central Terminal Area. The foregoing, however, shall create no obligation on the part of the Port Authority to provide such space and shall in no way be deemed a commitment by the Port Authority that any such space shall be available. If the Lessee chooses to use an independent contractor, such contractor shall be a regular "In-Flight Meal Operator" by which is meant an operator authorized by the Port Authority to provide In-Flight Meals to Aircraft Operators at the Airport unless, in the opinion of the Lessee, all regular In-Flight Meal Operators are unsatisfactory to the Lessee, in which case the Lessee may employ any other contractor (other than another Person engaged in the business of transportation by aircraft), satisfactory to the Port Authority, who will accept a permit from the Port Authority on the same terms and conditions including the same rates, fees or charges as imposed upon and required of the Port Authority's In-Flight Meal Operators.

(2) The Lessee shall have the further right, either directly or through an independent contractor of its choice, satisfactory to the Port Authority, or by arrangements, jointly with one or more other users at the Airport, to employ a contractor, satisfactory to the Port Authority, to prepare outside the Airport and to deliver at the Airport to aircraft operated by the Lessee, In-Flight Meals for consumption by passengers and crew on board such aircraft, provided, however, that if the Lessee employs a contractor either alone, or, by arrangement, jointly with one or more other users at the Airport for the preparation, outside the Airport, of In-Flight Meals, then the Lessee shall cause such contractor to pay to the Port Authority the rate or rates which would be payable to the Port Authority by a regular Port Authority In-Flight Meal Operator for the off-Airport preparation or delivery, or both, of such In-Flight Meals to aircraft for consumption by passengers and crews on board such aircraft.

(3) (i) The Lessee has advised that it may use more than one independent contractor to furnish its In-Flight Meals at the Airport but may not wish to have all of said contractors become permittees of the Port Authority under permits which require, as aforesaid, the permittees to pay fees at the rates imposed on the Port Authority's In-Flight Meal Operators

upon Gross Receipts based on amounts the Lessee pays said contractors.

(ii) Should the Lessee elect not to have all its independent contractors be Port Authority permittees as aforesaid, it shall serve a written notice on the Port Authority to such effect which notice shall state that it elects the method of additional payment as hereinafter set forth and thereupon the Port Authority shall consent thereto provided that, in addition to all other amounts payable to the Port Authority under subparagraphs (1) and (2) above, the Lessee shall pay and the Lessee hereby agrees to pay to the Port Authority an amount determined by applying the rates referred to in subparagraph (3)(i) above to the amounts payable by the Lessee to said independent contractors for its In-Flight Meals or any part thereof delivered to the Lessee's aircraft at the Airport (whether such delivery be by said independent contractor, the Lessee or another). The foregoing payments by the Lessee shall be made monthly on the twentieth (20th) day of the month commencing with the first (1st) month immediately following the Lessee's notice and continuing each month thereafter up to and including the twentieth (20th) day of the month following the expiration date hereof. The Lessee at anytime on at least thirty (30) days' prior written notice to the Port Authority may change from its selection above and the Lessee may at any time advise the Port Authority that this subparagraph (3) no longer applies to it based upon its representation, that it then shall make, that all payments made by it for In-Flight Meals shall be made to its contractors who are permittees of the Port Authority as In-Flight Meal Operators.

(iii) It is hereby expressly recognized that the procedures allowed under this subparagraph (3) are not included within the contemplation of the provisions of subparagraphs 3(1) and (2) above and that the inclusion of the same within this paragraph (a)(3) shall not constitute or be deemed to constitute any concession or agreement by the Port Authority that said procedures are not in violation of subparagraphs 3(i) and (ii) hereof.

(b) (1) The Lessee acknowledges and agrees, with respect to any In-Flight Meals prepared and delivered on the Airport pursuant to Section 8.04 of Title VIII of the General Airport Agreement, that it may use more than one independent contractor to furnish its In-Flight Meals at the Airport but may not wish to have all of said contractors become permittees of the Port Authority under permits which require the permittees to pay fees at the rates imposed on the Port Authority's In-Flight Meal Operators upon Gross Receipts based on amounts the Lessee pays said contractors, nor shall the same limit or be deemed to limit the provisions of said Section 8.04.

(2) Should the Lessee elect not to have all its independent contractors be Port Authority permittees as aforesaid, it shall serve a written notice on the Port Authority to such effect which notice shall state that it elects the method of additional payment as hereinafter set forth and thereupon the Port Authority shall consent thereto provided that, in addition to all other amounts payable to the Port Authority, the Lessee shall pay and the Lessee hereby agrees to pay to the Port Authority an amount determined by applying the rates referred to in subparagraph (1) above to the amounts payable by the Lessee to said independent contractors for its In-Flight Meals

or any part thereof delivered to the Lessee's aircraft at the Airport (whether such delivery be by said independent contractor, the Lessee or another). The foregoing payments by the Lessee shall be made monthly on the twentieth (20th) day of the month commencing with the first month immediately following the Lessee's notice and continuing each month thereafter up to and including the twentieth (20th) day of the month following the expiration date of the term of the letting hereunder. The Lessee at any time on at least thirty (30) days' prior written notice to the Port Authority may change from its selection above and the Lessee may at any time advise the Port Authority that this paragraph (b) no longer applies to it based upon its representation, that it then shall make, that all payments made by it for In-Flight Meals shall be made to its contractors who are permittees of the Port Authority as In-Flight Meal Operators.

(3) It is hereby expressly recognized that the procedures allowed under this paragraph (b) are not included within the contemplation of the provisions of Section 8.04 of Title VIII of the General Airport Agreement and that the inclusion of the same within this paragraph (b) shall not constitute or be deemed to constitute any concession or agreement by the Port Authority that said procedures are not in violation of said Section 8.04 of Title VIII of the General Airport Agreement, nor shall the same limit or be deemed to limit the provisions of said Section 8.04.

Section 79. Consumer Services

(a) The Lessee shall use its best efforts to develop and operate at the Premises a premier world-class retail program that will support and advance the role of the Premises in providing a convenient and comfortable arrival to and departure from the Airport, consistent with the image and status of New York City as a foremost domestic gateway and America's foremost international gateway. The Lessee's retail program shall embody the Lessee's full commitment to quality, value and customer service, evidence operations in accordance with the best industry practices, evidence compliance with the Port Authority's maximum standards with regard to service, health, sanitation and safety, and evidence Lessee's full commitment to the maximum financial return to the Lessee and the Port Authority. A "premier world-class" retail program is one that consistently scores within the top ten percent (10%) of industry-recognized surveys, including without limitation the International Airline Transport Association (IATA) Airport Monitor and Port Authority-sponsored surveys, which contain evaluations or ratings of passenger terminal retail programs, or specific components thereof, of the same type or class.

(b) (1) The Lessee acknowledges that various portions of the Premises will be utilized for consumer services and said portions which receive the concurrence of the Lessee and the Port Authority, as hereinafter provided, are herein referred to as the "Concession Areas". Without limiting the provisions of Section 68 hereof entitled "The Lessee's Ongoing Affirmative Action, Equal Opportunity and Local Business Enterprises Commitment", the Lessee shall develop and submit to the Port Authority within ninety (90) days of the Effective Date for its approval a

comprehensive plan for consumer services, setting forth, *inter alia:* (1) the types of concessions to be placed there and the number of each type and size, designated location, and configuration of each concession, as well as the overall plan of the portions of the Premises designated for retail operations; (2) the minimum rentals required for each type of concession; (3) the structure and level of any common area maintenance fees, marketing fees, delivery fees, and utility recoveries (to the extent permitted) to be charged to the retail sublessees; (4) the Lessee's plans to provide retail opportunities for Minority Business Enterprises and Women-owned Business Enterprises (as defined in Schedule E hereto); (5) the Lessee's quality and service standards and required hours of operation; (6) the Lessee's specific plans to monitor and enforce its "Street Pricing" policy (defined in paragraph (f)(1) of this Section), quality and service standards and required hours of operation; (7) any other basic business terms including, but not limited to, any mandatory investment and refurbishing requirements; and (8) such other information as the Port Authority may deem appropriate to its review and determination if it will approve the proposed plan. The types of concessions to be placed in the Concession Areas shall include those set forth in Sections 80 through 86 hereof, and the Lessee agrees that it will at all times throughout the term of the letting hereunder keep said comprehensive plan updated and that said updated plan shall be submitted to and be subject to the continuing approval of the Port Authority. Attached hereto as "Exhibit 79.1" and incorporated by reference herein is a location plan and list of retail tenants at the premises as of the Effective Date, prepared by or on behalf of the Lessee. The Port Authority shall furnish to the Lessee guidelines to be utilized by the Lessee with respect to all matters affecting consumer services in the Concession Areas including the aforesaid Lessee's comprehensive plan. The Lessee agrees to meet and consult with the Port Authority, and provide representatives to meet and consult with the Port Authority and representatives of other airlines operating at the Airport, when requested to do so in order to discuss the Lessee's performance in meeting the standards required by paragraph (a) of this Section and its implementation of the Port Authority guidelines on matters affecting consumer services in the Concession Areas.

(2) The comprehensive plan shall be subject to the approval of the Port Authority, as provided in this Section. The Lessee shall submit to the Port Authority for its written approval at annual intervals, on each anniversary of the Effective Date, during the term of the letting hereunder (or more frequently if desired by the Lessee or if reasonably requested by the Port Authority) a revised comprehensive consumer services plan, which shall contain the items of information enumerated in subparagraph (1) above. The Port Authority shall, after its receipt of a proposed revised comprehensive plan, advise the Lessee in writing of the Port Authority's approval, conditional approval or disapproval. In the event of disapproval or conditional approval, the reasons therefor shall be stated, and the Lessee may thereafter submit for Port Authority approval an appropriately modified proposed revised comprehensive plan. Unless and until a revised comprehensive plan shall have been approved by the Port Authority in the foregoing manner, the comprehensive plan previously approved and then in effect shall continue in effect.

(c) (1) After approval by the Port Authority of the Lessee's comprehensive

plan for consumer services the Lessee shall procure operators and agreements for such services. As hereinafter provided the Lessee will be entering into a direct contract with each new operator but said operator must also enter into an appropriate agreement with the Port Authority. The Lessee shall not finalize negotiations with any operator until it has received notification from the Port Authority that said arrangement is acceptable to the Port Authority and any agreement with any proposed operator the Lessee executes shall not be effective until said operator has entered into the appropriate contractual agreement with the Port Authority, in form and substance satisfactory to the Port Authority in its sole discretion. The Port Authority's approval of a comprehensive plan, or modifications thereto, shall in no way diminish the applicability of this subparagraph (1). The effectiveness of the Lessee's agreement with said proposed operator shall be subject to the Port Authority's prior written consent, as contained in the aforesaid appropriate contractual agreement, and the Lessee's agreement shall state the same. The foregoing procedure will be followed throughout the term of the letting hereunder. It is expressly understood and agreed that the provisions of this Section shall not limit or be deemed to limit the provisions of Section 68 hereof and the Lessee's on-going affirmative action commitment with respect to the consumer services awards and agreements provided for herein.

(d) (1) The Port Authority hereby reserves exclusively to itself and its designees the right on the Premises to implement, conduct, control and receive any rents, fees or profits with respect to any of the following uses, operations or installations (collectively, the "Reserved Uses"):

(i) advertising, provided that the Lessee shall retain the right to control the placement of the particular advertising within the Premises and the right to reject any proposed advertising at the Premises,

(ii) pay telephones, pre-paid phone cards, facsimile transmission machines and other public communications services, provided that the Lessee shall retain the right to control the placement of telephones, phone banks, phone kiosks, facsimile transmission machines and other public communications services (e.g., internet kiosks) within the Premises, and the right to deny the placement of any particular pay phone facility, facsimile transmission machine or public communications service.

(iii) vending machines dispensing anything including, but not limited to, catalog and electronic sales (except in non-public areas of the Premises for products then permitted to be sold on the Premises under agreements or subleases approved by the Port Authority as required under this Lease), provided that the Lessee shall retain the right to control the placement of vending machines within the Premises and the right to reject any vending machine at the Premises,

(iv) ground transportation (including vehicle rentals) reservations,

as provided in Section 71 entitled "Ground Transportation Services" hereof, and

(v) provision of on-airport baggage carts (other than shopping carts made available free of charge to retail shoppers with the Concession Areas) or other on-airport baggage-moving devices, provided that the Lessee shall retain the right to control the placement of baggage cart stations within the Premises and the right to reject any on-airport baggage carts at the Premises.

If and when the Port Authority elects to share with the other unit terminal operators at the Airport the revenues from the activities set forth in items (iv) and (v) of this paragraph(d)(1), the Port Authority shall likewise share such revenues with the Lessee.

(2) The Port Authority (and any party specifically authorized thereby) may engage in the Reserved Uses and install, operate, maintain and repair the property used in connection therewith, in such locations as may be determined by the Lessee. The Lessee, at its expense, shall provide the necessary wires and conduits for the supply of electricity and telephone and other communications interconnections for the Reserved Uses.

(3) The Port Authority shall remit to the Lessee, out of the fees or rents actually collected by the Port Authority from third party operators pursuant to agreements for items (i), (ii) and (iii) of subparagraph (1) above, such fees or rents in the following percentages: item (i), fifty percent (50%) to the Lessee; item (ii), eighty percent (80%) to the Lessee; and item (iii), eighty percent (80%) to the Lessee. The balance of all such fees or rents shall be retained by the Port Authority. Except as specifically provided in the foregoing sentence, the Port Authority shall have the right to all revenues derived from the Reserved Uses without compensating the Lessee in any manner on account of such uses or revenues.

(e) Except to the extent modified by and in accordance with an effective comprehensive consumer services plan, the Lessee shall require in its consumer services subleases the following with respect to hours and days of operation:

(1) Retail food and beverage service shall be made available to the public at one or more locations continuously each day during the hours commencing no later than one hour prior to the first scheduled aircraft departure from the Premises and continuing until at least the completion of boarding for the last actual departure from the Premises of a flight therefrom the same day. At least fifty percent (50%) of the concessions in any food service area at any one time shall operate continuously throughout the hours specified above.

(2) Commencing no later than one hour prior to the first scheduled aircraft departure at the Premises each day and continuing until at least the last actual departure at the Premises of a flight for departure thereat the same day, at least one retail newsstand shall be

continuously open for business and at least one area accessible to "meeters and greeters" shall be open.

(3) Certain foreign currency exchange services, through a staffed location or an automated currency exchange machine, shall be continuously provided to the public in the Foreign Inspection Services area and at least one other central location in the Premises during the hours commencing no later than one hour prior to the first scheduled aircraft departure from the Premises and continuing at least until the later of (1) the completion of boarding for the last actual departure from the Premises of a flight scheduled for departure therefrom the same day and (2) one hour after the last actual arrival at the Premises of a flight scheduled for arrival thereat the same day.

(4) In each arrival area and one other central location in the Premises, there shall be at least one automated teller machine fully operational and accessible to the public twenty-four (24) hours a day with cash in quantities sufficient to meet reasonably anticipated demand and providing access to at least one of the two largest banking networks available in the Port of New York District.

(5) In any instance in which no minimum hours have been set forth above and as to all other retail sublessees, the retail sublessees shall be required to be open for business and operate their respective businesses as provided in the comprehensive consumer services plan.

(6) The Lessee shall require all retail sublessees to operate their respective businesses so as to maximize their revenues in accordance with best industry practices and standards observed generally by first-class business enterprises of regional or national scope which operate at other major airports.

(f) (1) Each consumer service sublease shall provide that the sublessee in its operations pursuant to its sublease shall not charge prices to its customers in excess of "Street Prices", defined as follows:

(i) If the retail sublessee conducts a similar business in off-airport location(s) in the Greater New York City-Northeren New Jersey Metropolitan Area (the "Metro Area"), "Street Prices" shall mean the price regularly charged by the retail sublessee for the same or similar item in the Metro Area;

(ii) If the retail sublessee does not conduct a similar business in off-airport location(s) in the Metro Area, "Street Prices" shall mean the average price regularly charged in the Metro Area by similar retailers for the same or similar item;

(iii) If neither the retail sublessee nor other similar retailers sell a particular item in the Metro Area, "Street Prices" shall mean the price regularly charged by the retail sublessee or similar retailers for the same or similar item in any other geographic area with a reasonable adjustment for any cost-of-living variance between such area and the Metro Area; and

(iv) If a retail sublessee is in the business of selling duty-free goods, "Street Prices" shall mean the price regularly charged by the sublessee or other similar retailer for the same or similar duty-free item at other major airports serving large urban areas in the Northeast region of the United States, including but not limited to the Airport.

(2) Notices in form and substance reasonably satisfactory to the Port Authority shall be conspicuously displayed in each retail sublessee's space to the effect that the retail sublessee adheres to the foregoing "Street Pricing" policy.

(g) (1) Each consumer service sublease, and each Port Authority agreement with a concessionaire, shall also provide, that the retail sublessee shall:

(i) use its best efforts in every proper manner to develop and increase the business conducted by it under the sublease;

(ii) not divert, or cause or allow to be diverted, any business from the Premises or the Airport;

(iii) maintain, in English and accordance with accepted accounting practice, during the term of the subletting under the sublease and for one (1) year after the expiration or earlier termination or surrender thereof, and for a further period extending until receipt of written permission from the Port Authority to do otherwise, full and complete records and books of account recording all transactions of the sublessee at, through, or in any way connected with its operations at the Premises or elsewhere at the Airport, and outside the Airport if the order therefor is received at the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(iv) the sublessee shall cause any of its which performs services similar to those performed by the sublessee to maintain, in English and accordance with accepted accounting practice, during the term of the subletting under the sublease and for one (1) year after the expiration or earlier termination or surrender thereof, and for a further period extending until the sublessee shall receive written permission from the Port Authority

to do otherwise, full and complete records and books of account recording all transactions of each such Affiliate at, through, or in any way connected with its operations at the Premises or elsewhere at the Airport, and outside the Airport if the order therefor is received at the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(v) permit and/or cause to be permitted in ordinary business hours during the term of the subletting under the sublease and for one (1) year thereafter, and during such further period as is mentioned in the preceding subparagraphs (1)(iii) and (1)(iv), the examination and audit by the officers, employees and representatives of both the Port Authority and those of the Lessee of such records and books of account and also any records and books of account of any Affiliate if said Affiliate performs services similar to those performed by the sublessee anywhere in the Port of New York District (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents), within ten (10) days following any request by the Port Authority from time to time and at any time to examine and audit said books and records;

(vi) install and use such cash registers, sales slips, invoicing machines and any other equipment and devices, including without limitation computerized record-keeping systems, for recording orders taken, or services rendered, as may be appropriate to the sublessee's business and necessary or desirable to keep accurate books and records as aforesaid, and without limiting the generality of the foregoing, for any activity involving cash sales, install and use cash registers or other electronic cash control equipment that provides for non-resettable totals;

(vii) permit the inspection by the officers, employees and representatives of the Port Authority and those of the Lessee of any equipment used by the sublessee including, but not limited to, any of the equipment described in subparagraph (1)(vi) above; and

(viii) furnish good, prompt and efficient service hereunder, adequate to meet all demands therefor at the Premises; furnish said service on a fair, equal and non-discriminatory basis to all users thereof; and charge fair, reasonable and non-discriminatory prices for each unit of sale or service, provided, however, that the retail sublessee may make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

(2) Without implying any limitation on the right of the Port Authority to

revoke its agreement with a concessionaire, in the event of the failure of the concessionaire to maintain, keep within the Port District or make available for examination and audit the required books and records in the manner and at the times or location as provided in paragraph (g)(1) above then, in addition to all and without limiting any other rights and remedies of the Port Authority, the Port Authority may:

(i) Estimate the gross receipts of the concessionaire on any basis that the Port Authority, in its sole discretion, shall deem appropriate, such estimation to be final and binding on the concessionaire and the concessionaire's fees based thereon to be payable to the Port Authority when billed; or

(ii) If any such books and records have been maintained outside of the Port District, but within the Continental United States then the Port Authority in its sole discretion may (A) require such books and records to be produced within the Port District or (B) examine such books and records at the location at which they have been maintained and in such event the concessionaire shall pay to the Port Authority when billed all travel costs and related expenses, as determined by the Port Authority for Port Authority auditors and other representatives, employees and officers in connection with such examination and audit, or

(iii) If any such books and records have been maintained outside the continental United States then, in addition to the costs specified in subparagraph (2)(ii) above, the concessionaire shall pay to the Port Authority when billed all other costs of the examination and audit of such books and records including without limitation salaries, benefits, travel costs and related expenses, overhead costs and fees and charges of third party auditors retained by the Port Authority for the purpose of conducting such audit and examination.

(3) The foregoing auditing costs, expenses and amounts set forth in subparagraphs (2)(ii) and (2)(iii) of this paragraph (g) shall be deemed fees and charges under the Port Authority's agreement with the concessionaire payable to the Port Authority with the same force and effect as all other fees and charges thereunder.

(h) (1) The Lessee shall employ or retain a full time trained professional staff at all times during the term of the letting hereunder of sufficient size, expertise, ability, suitability and experience to carry out its responsibilities under this Section.

(2) In addition, throughout the term of the letting hereunder, the Lessee may request Port Authority approval to employ at the Premises, at Lessee's sole cost and expense, on a full-time basis a retail asset manager, or may retain on a full-time basis the Lessee's retail developer which is operating as of the Effective Date, for its concessions program at the Premises

(such asset manager or developer being hereinafter referred to as a "Retail Manager"), subject in all respects to the terms and conditions of this Section. Any fee or other compensation to be paid to said Retail Manager shall be paid by the Lessee directly or out of the Lessee's share of revenue from consumer services, and no portion of such fee or compensation shall be paid out of the Port Authority's share of revenue from consumer services or shall offset, reduce, be credited against or otherwise adversely affect the amount of any fees, rent or other revenue to be paid or payable to the Port Authority hereunder or to which the Port Authority may be otherwise entitled. Notwithstanding the generality of the foregoing sentence, this Lease shall not effect or require a modification of the terms and conditions of the agreement between the Lessee and the Retail Manager operating at the Premises as of the Effective Date, provided, however, that the management fee to be paid to such existing Retail Manager and the other terms and conditions of such existing agreement shall terminate no later than February 28, 2006 and it is agreed that no portion of a management fee after said date shall be subsidized by, contributed to or otherwise financed by the Port Authority.

The Lessee shall not finalize negotiations with any Retail Manager until it has received notification from the Port Authority that said arrangement is acceptable to the Port Authority and shall not execute any agreement with any proposed Retail Manager until said Retail Manager has entered into the appropriate contractual agreement with the Port Authority, in form and substance satisfactory to the Port Authority in its sole discretion, which grants consent and approval to such Retail Manager. Any such agreement between the Lessee and a proposed Retail Manager shall state among other things, and the Lessee agrees, that:

(i) said agreement is subject and subordinate to this Lease (as the same may be amended, supplemented or extended);

(ii) said agreement shall not take effect without the prior written consent of the Port Authority thereto to be embodied in the contractual agreement referred to above (executed by and among the Port Authority, the Lessee and the Retail Manager);

(iii) any amendment, supplement or extension of the said agreement which does not have the express written approval of the Port Authority shall be void *ab initio* and of no effect whatsoever; that if this Lease is terminated on any account prior to the expiration of the term of the said agreement then the said agreement shall terminate simultaneously with such termination of this Lease unless the Port Authority shall notify the Retail Manager and the Lessee at or prior to such effective date of termination of this Lease that the Port Authority shall and does assume the rights and obligations of the Lessee thereunder from and after such effective date of termination, it being understood that the Port Authority shall have the right, but not the obligation, to be assigned and to assume the Lessee's rights and obligations under the Retail Manager agreement and, further, it being understood that the Port Authority shall have no obligation to enter into any form of recognition agreement with any concessionaire;

(iv) the Port Authority shall have the right to revoke its consent, or terminate any agreement containing its consent, to the Retail Manager agreement at any time without cause on thirty (30) days' prior notice and such revocation or termination shall not require the concurrence of the Lessee;

(v) all fees and rent collected by the Retail Manager shall be held by it in a fiduciary capacity, in a separate trust account and not co-mingled with other funds of the Retail Manager, solely for such purpose and thereafter remitted by the Retail Manager on a monthly basis directly to each of the Port Authority and the Lessee (it being understood that the Retail Manager's interest is a possessory and not an equitable interest), and the amount of payments collected or to be collected from the concessionaires shall be based on fees and rent paid or payable by the concessionaires at the Premises without deduction, credit or offset for arrearages;

(vi) in the event of any inconsistency between the Retail Manager agreement and this Lease, or between any retail sublease or retail license (the terms retail "sublease" and retail "license", and retail "sublessee", "licensee" and "concessionaire", being used interchangeably for purposes of this Section) and this Lease, or between the Retail Manager agreement and the agreement containing the Port Authority consent thereto, or between a retail sublease and the agreement containing the Port Authority consent thereto, then in each and every such instance the Lease or the Port Authority consent agreement, as the case may be, shall supercede and control.

Any and all monthly and annual reports which set forth Gross Receipts (as defined herein, it being understood that the term Operator in such definition shall mean retail sublessee, licensee or concessionaire for purposes of this Section), in the aggregate and on a concessionaire-by-concessionaire basis, shall be provided simultaneously directly to each of the Port Authority and the Lessee. The Lessee shall provide, or shall cause to be provided, to the Port Authority the following: (1) on or before the twentieth (20th) day of each month following the commencement date of any retail sublease a statement, certified by an authorized officer of the sublessee, of gross receipts arising out of operations of the sublessee under such retail sublease for the preceding month, and (2) on or before April 15 of each calendar year during the sublease term a statement of gross receipts arising out of the operations of the sublessee for the preceding year certified, at the sublessee's sole expense, by a certified public accountant.

(3) Any Retail Manager shall have sufficient authority and support, staff and appropriate equipment, supplies and means to manage and administer those retail subleases and other agreements with the retail sublessees and other entities to which the Lessee is a party, or by which it is bound, relating to the retail program at the Premises, to monitor and compel performance by all retail sublessees and other entities and to serve as on-site liaison with the Port Authority.

Said Retail Manager shall have the power and authority on behalf of the Lessee to resolve all operational issues concerning the retail program at the Premises but shall have no power or authority to amend or modify this Lease or any agreement embodying a Port Authority consent. In all events, an employee of the Lessee with managerial authority shall be available for a minimum time span of sixteen (16) hours each day during concession operation hours to meet with Port Authority representatives in person at the Premises and available at other times by telephone, with the ability in an emergency situation relating to retail concession matters to arrive at the Airport by car within two hours after being called.

(4) Neither a Retail Manager nor any Affiliate thereof shall conduct or have any interest whatsoever in any entity conducting a consumer service operation in any Concession Area, unless the Port Authority has explicitly approved in writing specific exceptions after having been furnished such information as it may require and subject to such qualifications, conditions, limitations and restrictions as part of any such approval.

(5) The Lessee shall not knowingly either employ or permit the employment of any management, supervisory or other personnel of the Lessee (including but not limited to such Retail Manager or any contractor or subcontractor, representative or agent of the Lessee), whose employment constitutes a conflict of interest or whose actions are inconsistent with the highest level of honesty, ethical conduct or public trust or are adverse to the public interest. Notwithstanding the foregoing, the Lessee shall be under no obligation to refrain from hiring any person if to do so would be a violation of law, or to terminate any person if to do so would be a violation of law or of any applicable right of such person, contractual or otherwise.

(i) On a continuing basis through the end of the term of the letting hereunder, the Lessee shall undertake and execute through a variety of media, in a manner acceptable to the Port Authority, such advertising and promotional programs as shall bring to the attention of the public, generally, and actual and potential enplaning passengers and their escorts and guests and the aviation and tourist industries, in particular, the positive features of the retailing program managed by the Lessee as provided in this Lease and such other information to be presented in such style and format as shall project, consistent with the truth, a desirable image of such retailing program, the Premises and the Airport. The Port Authority shall not have any responsibility for, and shall not bear any of the costs of, the foregoing.

(j) Without limiting the generality of the provisions of Sections 80 through 87 herein, the following shall apply with respect to each of the concessions described in said Sections:

(1) The Lessee agrees that it will furnish to the concessionaire sufficient and suitable space within the Premises to carry on any operation as may be required of or desired by the Lessee.

(2) The Lessee shall bring to the perimeter of the space to be occupied by the concessionaire, and shall install, the necessary pipes, wires and conduits (including to any food service area), for the supply of electricity and HVAC for such operations (including but not limited to electricity to machines and displays with respect to permitted vending machines, public telephones, advertising displays and insurance counters), all without charge to the concessionaire or the Port Authority, except for electricity to the Restaurant Operator (as herein defined) which may be charged at cost. With respect to any Restaurant Operator, the Lessee shall also provide and install pipes, wires and conduits for the supply of gas and water together with necessary steam and waste lines for use in connection with the operation. The Lessee shall supply said utilities and services to the concessionaire, including to any storage areas provided to the concessionaire as required herein, and shall not charge the concessionaire or the Port Authority for any portion of same (except electricity to the Restaurant Operator as aforesaid).

(3) Any agreement with a concessionaire shall provide that such concessionaire shall furnish at its expense all necessary fixtures, equipment, furniture and personal property required in connection with the operation and all construction work necessary to accommodate such installations. With respect to in-line spaces, the agreement shall also provide that the concessionaire will perform all work necessary or required to finish off the space, including the finishing of the floors and ceilings from the structural slab and the walls from the rough partitions, the decor and color scheme of the concession area and the facilities and fixtures therein as well as the location of fixtures thereon, which shall be subject to the approval of the Lessee and compliance with the Port Authority Tenant Construction or Alteration Application process.

(4) If the Lessee desires to have a person or entity conduct such operations other than the Port Authority's proposed concessionaire, except for goods and services described in Section 81 or any which would constitute Reserved Uses, the Lessee may employ any other Person of its choice (which other Person may not be the Lessee or an Affiliate thereof) to do so, provided, however, such other Person first obtains a permit from the Port Authority authorizing such Person to operate the establishment in a portion or portions of the Premises as designated by the Lessee with the prior approval of the Port Authority. Prior to the issuance of any such permit by the Port Authority, such Person may be required to submit to the Port Authority evidence satisfactory to the Port Authority of its qualifications, the scope of its proposed operations and the standards of service it will provide. Any such permit shall provide that such concessionaire will conduct its operations thereunder in a first-class manner in accordance with the best practices in the industry and shall comply with the maximum Port Authority standards with respect to service, health, sanitary and safety measures. Paragraph (h)(2)(vi) of this Section shall apply with respect to any inconsistency between the terms of the permit and the terms of the agreement between the Lessee and the concessionaire. Without limiting the foregoing, prior to the issuance of

the permit the Port Authority shall make a copy of the same available to the Lessee and, upon the execution of the permit by the proposed concessionaire, the same shall be consented to in writing by the Lessee. Such other Person shall be required to pay to the Port Authority a fee but such fee shall not in any event exceed the fees or charges that would be retained by the Port Authority if such establishment were operated by a regular concessionaire of the Port Authority. The Port Authority permit will not be revoked without cause by the Port Authority, without the prior consent of the Lessee. Nothing in the preceding sentence shall mean or imply, or be deemed to mean or imply, that the Lessee's consent shall be required for the Port Authority to revoke its permit with, or other agreement containing its consent to, a Retail Manager, and such Lessee's consent shall not be required.

(5) The contract between a concessionaire and the Port Authority, or the permit between the concessionaire and the Port Authority where such concessionaire has entered into an agreement with the Lessee in accordance with this Lease, shall contain appropriate provisions permitting cancellation of such contract on short notice with and without cause. The Lessee's agreement with the concessionaire shall contain appropriate provisions permitting cancellation of such contract on short notice with and without cause. In the event of such cancellation without cause by the Port Authority (consistent with the penultimate sentence of subparagraph (4) above regarding the prior consent of the Lessee, it being understood that the same excepts goods and services described in Section 81 hereof or any which constitute Reserved Uses) or the Lessee, as the case may be, the Lessee agrees (and its agreement with the concessionaire shall provide that the Lessee agrees) to reimburse the concessionaire for its unamortized investment in the interior finishes and trade fixtures and title to such trade fixtures shall thereupon vest in the Lessee; provided, however, where such agreement is canceled expressly on the basis of the failure of the concessionaire to keep, perform or observe any of the terms and provisions of said agreement on its part to be kept, performed or observed or on the basis of one or more event or events of default as specified in said agreement such provision for Lessee reimbursement is not to obtain or apply.

Section 80. Restaurant and Bar

(a) The Lessee shall select and thereafter enter into a contract or agreement with one or more qualified restaurant operators (each such restaurant operator being hereinafter referred to in this Section as the "Restaurant Operator") authorizing the Restaurant Operator to operate in the Premises facilities for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in the Premises, subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Restaurant Operator to operate a restaurant service in a portion of the Premises hereunder. The agreement with the Restaurant Operator shall cover the arrangements for the space to be used in for restaurant service within the Premises including the amount, type and location of the space.

(b) The agreement between the Restaurant Operator and the Lessee may not call for any fixed rental or fee but shall provide that the Restaurant Operator shall pay a percentage fee to the Port Authority based upon the Gross Receipts of the Restaurant Operator from the sale of food, alcoholic and non-alcoholic beverages, which fee shall be subject to the prior written approval of the Port Authority and shall be incorporated into the Permit to be issued by the Port Authority. The Port Authority shall pay the Lessee for the use of the space by the Restaurant Operator a fee equivalent to 80% of the percentage fee collected by the Port Authority from the Restaurant Operator. It is hereby understood and agreed that 20% of the percentage fee collected from the Restaurant Operator by the Port Authority shall be retained by the Port Authority.

(c) In the event the Restaurant Operator selected by the Lessee to provide food, alcoholic and non-alcoholic beverages and similar items for sale and consumption on the Premises is the same concessionaire providing in-flight meals to the Lessee and is a wholly owned subsidiary of the Lessee, the fees to be paid to the Port Authority shall apply only to the Gross Receipts of the Restaurant Operator from the sale of food, alcoholic and non-alcoholic beverages on the Premises.

(d) There shall be no other payments by the Restaurant Operator to the Lessee except for appropriate payments for any electricity which may be furnished to the Restaurant Operator by the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Both the agreement between the Lessee and the Restaurant Operator and the permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions and terms of payment.

Section 81. Vending Machines, Public Telephones, Advertising Displays

(a) If requested by the Lessee the Port Authority, by itself or through contractors, lessees, or permittees, shall install and maintain in the Premises vending machines, public telephones, and/or advertising displays, at such locations and to such extent as requested by the Lessee.

(b) The Port Authority shall require its contractors, lessees, or permittees to pay a fee, which may be a percentage fee subject to a minimum amount, based upon the Gross Receipts received from such vending machines, public telephones, and advertising displays or a fixed fee.

(c) The Port Authority shall pay the Lessee an annual fee equivalent to the percentages set forth below of the fee collected by the Port Authority from its contractors, lessees, or permittees aforementioned: (1) Ex2a with respect to vending machines (2) 2a with respect to public telephones and (3) 2a with respect to advertising. The fees payable hereunder shall be paid in the same manner, under the conditions and at the times, provided in Section 89 hereof.

Section 82. Insurance Covering Air Transportation

(a) The Port Authority may enter into contracts or agreements with qualified insurance vendors requiring such vendors to sell or arrange for the sale, at the Premises, of insurance covering air transportation, of such types and coverages as may be required by the Lessee.

(b) The contract between the insurance vendor and the Port Authority shall provide that such vendor shall pay a basic rental for the space occupied by such vendor in the Premises in connection with the sale of such insurance. The basic rental will be based upon the cost to the Lessee of providing such space to the vendor. In determining the cost to the Lessee there shall be considered the construction cost for the vendor's premises, and an appropriate allocation of the cost of providing and maintaining public areas within the Premises. For the purpose of determining the aforesaid costs the Premises shall be considered as a single entity and a single rental rate shall be established for all areas of the Premises based thereon. The amount of the basic rental to be paid by the vendor shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated.

(c) The contract shall further provide that the vendor shall pay to the Port Authority an amount equal to a percentage of the vendor's gross premiums from the sale of such insurance, less the amount of any basic rental paid by the vendor. The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental (hereinafter the "Basic Rental Equivalent"). The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof.

(d) The contract with the insurance vendor will provide that: (1) if the Lessee so requests, the vendor shall provide a general information service to the public; and (2) the vendor shall not be required to provide a counter for the sale of insurance if, in its opinion, there will be insufficient patronage to support such a counter; and (3) the vendor shall not be required to continue to provide at any designated location vending machines for the sale of insurance when the gross premiums from any such machines at any such location is less than $200 per month, provided, however, if twenty-four (24) hour counter coverage is not provided there shall be at least one machine in the Premises; and (4) the provisions of insurance policies and the minimum coverage offered shall be acceptable to the Lessee.

(e) The location of insurance counters and insurance vending machines shall be determined by the Lessee subject to the approval of the Port Authority and in accordance with the Lessee's comprehensive plan. The Lessee shall not require unreasonably frequent moves of insurance counters and insurance vending machines hereunder.

(f) There shall be no payments by the insurance vendor to the Lessee for utilities which may be furnished to the insurance vendor by the Lessee.

Section 83. Newsstands

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified newsstand operator or operators (each such newsstand operator being hereinafter referred to in this Section as the "Newsstand Operator") authorizing such operators to operate newsstands in the Premises for the sale at retail of such of the following items as may be approved by the Port Authority: newspapers, magazines, cigarettes, cigars and other tobacco supplies, candy, chewing gum, playing cards and paper-bound books, to the extent required by the Lessee, subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Newsstand Operator to operate a newsstand service in a portion of the Premises hereunder. The Port Authority shall require such operator or operators to sell at retail from its or their locations, such other items or furnish such other services as may be approved by the Port Authority and as are requested by the Lessee.

(b) The Lessee agrees that it shall furnish to the Newsstand Operator sufficient and suitable space for conducting and carrying on its aforesaid operation. The Lessee shall furnish without additional charge, a reasonable amount of storage space for the use of the Newsstand Operator. The location of newsstands and appropriate storage space for the use of the Newsstand Operator(s) shall be determined by the Lessee subject to the approval of the Port Authority and in accordance with the Lessee's comprehensive plan.

(c) The contract between the Newsstand Operator(s) and the Lessee shall provide that such operator shall pay to the Port Authority a basic rental for the space occupied by such operator in the Premises in connection with the operation of the newsstand. The basic rental will be based upon the cost to the Lessee of providing such space to the operator. In determining the cost to the Lessee there shall be considered the construction cost for the vendor's premises and an appropriate allocation of the cost of providing and maintaining public areas within the Premises. For the purpose of determining the aforesaid costs the Premises shall be considered as a single entity and a single basic rental rate shall be established for all areas of the Premises based thereon. The amount of the basic rental to be paid by the Newsstand Operator(s) shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated.

(d) The agreement with the Newsstand Operator(s) shall further provide that the operator will pay to the Port Authority a percentage fee of the Gross Receipts derived by the Newsstand Operator from all sales made by the Newsstand Operator less the amount of the basic rental paid by the Newsstand Operator. The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the

basic rental, the Port Authority shall retain the basic rental equivalent (as hereinabove defined). The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee.

(e) The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Newsstand Operator and any permit to be issued by the Port Authority shall have provisions covering the percentage fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(f) The agreement with the Newsstand Operator(s) will further provide that the Newsstand Operator will be permitted to sell at retail only such merchandise as is normally sold at newsstands in operation at Port Authority Airports. If there is a demand or need by travelers and other users of the Premises for other merchandise and there is no other tenant, permittee or licensee of the Port Authority available to provide such merchandise the scope of the newsstand's operation may be increased, provided, however, that no merchandise objectionable to the Lessee or the Port Authority shall be sold.

(g) There shall be no payments by the Newsstand Operator to the Lessee for utilities which may be furnished to the Newsstand Operator by the Lessee.

Section 84. Duty-Free Shop

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified person or entity (each such person or entity is hereinafter referred to as the "Duty-Free Shop Operator") providing for such Duty-Free Shop Operator to operate a shop in the Premises for the sale at retail of in-bond liquors, in-bond cigarettes, cigars and other in-bond tobacco products, and other in-bond items (hereinafter called the "Duty-Free Shop"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Duty-Free Shop Operator to operate a Duty-Free Shop in a portion of the Premises hereunder.

(b) The Lessee agrees that it shall furnish to the Duty-Free Shop Operator sufficient and suitable space for conducting and carrying on its aforesaid operation, including a storage area in a portion of the Premises for the storage of the aforesaid in-bond items to be sold by the Duty-Free Shop Operator (said storage area being herein called the "Duty-Free Distribution Center").

(c) The agreement between the Lessee and the Duty-Free Shop Operator may not call for any fixed fee or rental but shall provide that the Duty-Free Shop Operator shall pay to the Port Authority a percentage fee, subject to appropriate minimum amounts, based upon the Gross

Receipts of the Duty-Free Shop Operator from the sale of in-bond liquors, in-bond cigarettes, cigars and other in-bond tobacco products and other in-bond items, which provision shall be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Duty-Free Shop Operator to the Port Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of the percentage fee payable by the Duty-Free Shop Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. Such remittance shall be made in the same manner, under the conditions and at the times provided in Section 89 hereof. Any agreement with the Duty-Free Shop Operator and any permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(d) The Lessee shall have the right, for good cause demonstrated, to require the Port Authority to revoke or terminate on short notice such agreement between the Port Authority and the Duty-Free Shop Operator. The Lessee shall indemnify and hold harmless the Port Authority from and against any and all liability, damages, costs and expenses arising out of any such revocation or termination by the Port Authority.

(e) There shall be no payments by the Duty-Free Shop Operator to the Lessee for utilities which may be furnished to the Duty-Free Shop Operator by the Lessee.

Section 85. Foreign Currency Exchange

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified foreign currency exchange operator or operators (which person or entity is sometimes hereinafter referred to as the "Currency Exchange Operator") providing for the Currency Exchange Operator to operate an establishment in the Premises for the exchange, purchase and sale of domestic and foreign currencies (hereinafter called the "Foreign Currency Exchange Service"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Currency Exchange Operator to operate a Foreign Currency Exchange Service.

(b) The Lessee agrees that it shall furnish to the Currency Exchange Operator sufficient and suitable space for conducting and carrying on its aforesaid operation.

(c) The agreement between the Lessee and the Currency Exchange Operator may not call for any fixed rental or fee but shall provide that the Currency Exchange Operator shall pay to the Port Authority a percentage fee based upon the Gross Receipts of the Currency Exchange Operator, which provision shall also be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Currency Exchange Operator to the Port

Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of the percentage fee payable by the Currency Exchange Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Currency Exchange Operator and any permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(d) There shall be no payments by the Currency Exchange Operator to the Lessee for utilities which may be furnished to the Currency Exchange Operator.

Section 86. Retail Banking

(a) The Lessee shall select and thereafter enter into an agreement or agreement with a qualified retail banking operator or operators (which person or entity is sometimes hereinafter referred to as the "Retail Bank Operator") providing for such Retail Bank Operator to operate a service, within Concession Areas, performing one or more of the following functions as agreed between them: the maintaining of accounts, receipt and/or disbursement of funds and including automatic teller machine service and foreign currency exchange (hereinafter called the "Retail Banking Service"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Retail Bank Operator to operate a Retail Banking Service.

(b) The Lessee agrees that it shall furnish to the Retail Bank Operator sufficient and suitable space for conducting and carrying on its aforesaid operation.

(c) The agreement between the Lessee and the Retail Bank Operator shall provide that the Retail Bank Operator shall pay a basic fixed fee or rental to the Port Authority, which provision also shall be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Retail Bank Operator to the Port Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of such fixed fee payable by the Retail Bank Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Retail Bank Operator and any permit to be issued by the Port Authority shall have provisions covering the rental and fees in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment

(d) There shall be no payments by the Retail Bank Operator to the Lessee for utilities which may be furnished to the Retail Bank Operator by the Lessee.

Section 87. Other Consumer Services

(a) If the Lessee requests that additional consumer services be provided in the Premises for the sale of other items or the furnishing of other services, the Lessee shall either (i) request that the Port Authority secure qualified tenants, permittees or licensees (hereinafter each referred to as the "Additional Operator"), to furnish such consumer services and the Port Authority shall endeavor to secure such Additional Operator and to enter into contracts or agreements with such Additional Operator requiring it to furnish the item or services to the extent required by the Lessee, or (ii) notify the Port Authority in writing that the Lessee is seeking such Additional Operator (including the proposed contractual arrangements, if any, between the Lessee and the proposed Additional Operator), satisfactory to the Port Authority and subject to its approval, provided that the Lessee complies with all the terms and provisions of Section 79 hereof, including without limitation its prior submittal to the Port Authority of an updated comprehensive plan for consumer services covering such proposed Additional Operator in accordance with and subject to said Section 79, and in compliance with the provisions covering the selection of the Additional Operator as described in Sections 79 (c) and 79(j) hereof and also subject to Sections 68, 88 and 89 hereof.

(b) Each such Additional Operator must enter into an appropriate contractual arrangement with the Port Authority, as described in Sections 79(c) and 79(j) hereof, including without limitation an appropriate Port Authority permit authorizing such Additional Operator to operate the consumer services at the Premises.

(c) (1) The contract between the Additional Operator and the Port Authority shall provide that such Additional Operator shall pay to the Port Authority a basic rental for the space occupied by such Additional Operator in the Premises in connection with the furnishing of the consumer services. The basic rental will be based upon the cost to the Lessee of providing such space to the Additional Operator. In determining the cost to the Lessee there shall be considered the construction cost of the Premises and the cost of operation and maintenance of the Premises. The amount of the basic rental to be paid by the Additional Operator shall be agreed upon between the Port Authority and the Lessee.

(2) The contract shall further provide that such Additional Operator shall also pay a percentage fee based upon the Gross Receipts of such Additional Operator from the operation of such consumer service, less the amount of any basic rental paid by the Additional Operator.

(3) The Port Authority shall pay to the Lessee the amount of the basic

rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental. The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the same manner, under the conditions, and at the times provided in Section 89 hereof.

(4) Notwithstanding the foregoing provisions of subparagraphs (1), (2) and (3) above, the contract between the Port Authority and the Additional Operator may provide that the Additional Operator will pay to the Port Authority a basic minimum rental plus a percentage of Gross Receipts (with or without an annual exemption amount) to be shared equally between the Port Authority and the Lessee and will also pay to the Lessee an equal amount as such basic minimum rental, with such payments of the basic minimum rental and percentage fee to be made by the Additional Operator directly to the Port Authority and directly to the Lessee.

(d) The Additional Operator will furnish and install at its expense all necessary fixtures, stands, counters and equipment required in connection with its operation and all construction work necessary to accommodate such installations.

(e) The Port Authority may require the contract with the Additional Operator to include limitations as to the scope of the activities of such Additional Operator in light of the availability of similar services in the concession area or Premises.

(f) The Lessee understands and agrees that it may not itself nor will the Port Authority install or cause to be installed coin-operated lockers on the Premises.

Section 88. Subletting of the Premises for Consumer Services

(a) Irrespective of whether the Persons selected in accordance with this Agreement to furnish the consumer services set forth in Sections 80, 81, 82, 83, 84, 85, 86 and 87 hereof have contracts with or are contractors or permittees of the Port Authority, the Lessee may require that such Persons enter into separate agreements or subleases with the Lessee as a condition precedent to the occupancy of space within and the operation of such establishments upon the Premises, provided, however, that all such Persons must have first obtained a permit from the Port Authority authorizing them to operate such establishments. The terms and provisions of the said agreements or subleases shall not be inconsistent with the terms of this Agreement except that the same may provide for cancellation by the Lessee on short notice in the event the services furnished by such Persons are unsatisfactory to the Lessee.

(b) Section 79(j) shall fully apply with respect to subleases and other agreements entered into between the Lessee and a Person pursuant to this Section, including but not limited to the requirement of such Persons to pay to the Port Authority a fee, with such fee not in any event to

exceed the fees or charges that would be retained by the Port Authority if their respective establishments were operated by regular concessionaires of the Port Authority.

Section 89. Obligations in Connection with Consumer Services Agreements

(a) The Port Authority shall administer all contracts and agreements with its tenants, licensees or permittees furnishing consumer services at the Premises. All such contracts and agreements shall contain provisions, among others, providing that such tenant, licensee or permittee shall:

(1) Take all reasonable measures in every proper manner to maintain, develop and increase the business conducted by it at the Premises;

(2) Not divert or cause or allow to be diverted any business from the Premises;

(3) Maintain in accordance with accepted accounting practice, records and books of account recording all transactions at, through or in any way connected with the Premises, which records and books of account shall be kept at all times within the Port of New York District and permit, in ordinary business hours during such time, the examination and audit by the officers, employees and representatives of the Port Authority of such records and books of account;

(4) Permit in ordinary business hours the inspection by the officers, employees and representatives of the Port Authority or the Lessee of any equipment used by the tenant, licensee or permittee, including but not limited to cash registers and recording tapes;

(5) Furnish on or before the twentieth day of each month following the commencement date of the operation a sworn statement of Gross Receipts arising out of the operations of the tenant, licensee or permittee, for the preceding month;

(6) Install and use such cash registers, sales slips, invoicing machines and any other equipment or devices for recording orders taken or services rendered as may be appropriate to the business and necessary or desirable to keep accurate records of Gross Receipts;

(7) Furnish good, prompt and efficient service, adequate to meet all demands therefor at the Premises; furnish said service on a fair, equal and nondiscriminatory basis to all users thereof, and charge fair, reasonable and nondiscriminatory prices for all items and/or services which it is permitted to sell and/or render; and

(8) Promptly observe, comply with and execute the provisions of any and

all present and future governmental laws, rules, regulations, requirements, orders and directions which may pertain and apply to its operations or the use and occupancy of the Premises.

(b) The Port Authority does not guarantee the payments of rentals and fees required to be paid by the tenant, licensee, permittee, concessionaire or operator pursuant to the provisions of Sections 80, 81, 82, 83, 84, 85, 86 and 87 hereof and shall have no obligation to the Lessee to make any payments to the Lessee until the fees or rentals are actually collected from the tenant, licensee, permittee or operator. The Port Authority will advise the Lessee of all accounts remaining delinquent for more than sixty (60) days and will consult with the Lessee as to the appropriate steps to effect collection. A default by the Port Authority in observing the provisions of the preceding sentence shall not result in the imposition of any liability on the Port Authority with respect to the Lessee.

Section 90: Reimbursement by the Lessee of a Portion of the Parking Garage Cost

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Parking Garage" shall mean the parking garage to be constructed by the Port Authority in the vicinity of the existing public parking Lot 3 and all required, associated and related areas, utilities, equipment and facilities, including but not limited to, all interior and exterior stairwells, stairways, escalators, elevators, ramps, roadways and appurtenances, sidewalks and pedestrian circulation areas; all grading, soil disposal, paving, landscaping and fencing; all signage, static and dynamic sign systems and other traffic control devices and systems; revenue control systems; all work to connect, integrate, construct and support all pedestrian circulation areas to the AirTrain station in the vicinity of the Parking Garage; all utilities, lighting, lines, pipes, mains, drains, cables, manholes, wires, conduits and other facilities required in connection with or relating to the mechanical, heating, cooling, utility, water, electrical, storm sewer, sanitary sewer, communications, security, fire alarm, fire protection, and other systems and facilities and including all necessary relocations, and all work necessary or required to tie the foregoing into existing systems and facilities; and all other appropriate or necessary work in connection with the foregoing.

(2) "Costs of the Parking Garage" shall mean the Port Authority's project cost determined in accordance with the Port Authority's normal accounting practices to determine the costs of capital projects performed by the Port Authority to plan, design and construct the Parking Garage, which shall include but not be limited to the following:

(i) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foremen and clerks) including but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or

the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(ii) The cost (including rental charges) of materials, supplies, equipment and utilities (including but not limited to electricity, water and phone);

(iii) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(iv) The cost of any performance bond or bonds;

(v) The cost of any insurance;

(vi) Payments to independent consultants, architects and engineers engaged or retained by the Port Authority, including without limitation, payments of damages and penalties;

(vii) Any other direct costs as charged under the Port Authority's normal accounting practice; and

(viii) Financial expense on the foregoing computed in accordance with Port Authority accounting practice.

(3) "Parking Garage Work" shall mean all work to plan, design and construct the Parking Garage.

(4) "Parking Garage Contract" shall mean each contract or agreement awarded to by the Port Authority or entered into by the Port Authority with a third Person to perform all or any portion of Parking Garage Work.

(5) "Parking Garage Contractor" shall mean each third Person to whom a Parking Garage Contract is awarded or entered into.

(6) "Parking Garage Payment" shall mean each payment made by the Lessee to the Port Authority pursuant to paragraph (b) of this Section.

(b) The Port Authority has advised the Lessee that it has under consideration the construction of the Parking Garage. In the event the Port Authority constructs the Parking Garage,

the Lessee hereby agrees to pay to the Port Authority an amount equal to 33.33% of the Costs of the Parking Garage (which amount is herein called the "Lessee's Parking Garage Contribution"), which payment shall be made by the Lessee to the Port Authority as follows:

The Port Authority shall after the completion of any portion of the Parking Garage Work submit to the Lessee, but not more than once a month, a certificate or certificates setting forth the Costs of the Parking Garage at the date of each such certificate. Within thirty (30) days after the delivery of each such certificate, the Lessee shall pay to the Port Authority an amount representing 33.33% of said Costs of the Parking Garage as such amount is set forth in said certificate and to the extent such amount has not theretofore been included in a Parking Garage Payment. Upon its final determination of the Costs of the Parking Garage, the Port Authority shall submit to the Lessee a certificate marked "Final" setting forth the final determination of the Costs of the Parking Garage and the Lessee shall and hereby agrees to pay to the Port Authority within thirty (30) days after delivery of such certificate an amount representing 33.33% of said Costs of the Parking Garage as such amount is set forth in said certificate to the extent that the Lessee has not paid to the Port Authority 33.33% of the Costs of the Parking Garage; provided, however, that neither the foregoing nor any certificate delivered by the Port Authority, nor any payment made by the Lessee shall waive, affect, or impair any right of the Port Authority of review and audit with respect to the Costs of the Parking Garage and provided, further, however, that in the event any such review or audit by the Port Authority requires an adjustment of the Costs of the Parking Garage the Lessee shall be promptly credited with or shall pay to the Port Authority all amounts required by such adjustment.

(c) The Lessee expressly understands and agrees that (1) all use and operation of the Parking Garage shall be within the sole and exclusive control of the Port Authority (or of Port Authority permittees, licensees, contractors or tenants authorized by separate agreement with the Port Authority to use and or operate the same), (2) that the Lessee shall have no right or claim whatsoever, legal or equitable, under this Lease or otherwise, to the Parking Garage or to any income or revenues therefrom, and (3) neither this Agreement nor the Lessee's payment of any costs or expenses for or relating to the Parking Garage Work or any portion thereof, or otherwise, shall or shall be deem to grant or constitute any right, interest or claim of the Lessee in the Parking Garage or the use or control thereof or the revenues or income therefrom.

(d) Without limiting any of the terms and provisions of Section 16 hereof entitled "Additional Rent and Charges", any and all amounts required to be paid by the Lessee under this Section may be added to any installment of rent thereafter due hereunder and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were part of the rent as set forth in Section 4 hereof entitled "Rental".

(e) It is hereby expressly understood and agreed that the selection of each

Parking Garage Contractor and the award of any Parking Garage Contract to such Parking Garage Contractor shall be subject to and consistent with the Port Authority's policies and practices for the selection and award of similar contracts and the Port Authority shall have full right and discretion to use competitive bidding and award, or other basis of award, for any such Parking Garage Contract; and further that the Parking Garage Contract shall contain terms and conditions which are standard to Port Authority contracts or consistent with such standard provisions.

Section 91. Definitions

The following terms, when used in this Agreement, shall, unless the context shall require otherwise, have the respective meanings given below:

"Abandoned Fuel Lines" shall have the meaning set forth in Section 2B(q) hereof.

"Acceptance Date"shall have the meaning set forth in Section 2B(q) hereof.

"Accommodated Handled Airline" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Accommodated Sublessee Airline" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Accommodations" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"ACO" shall mean the Administrative Order on Consent (DEC File No. R2-3519-91-02) (including without limitation all portions thereof incorporated by reference, such as but not limited to, the "CAP" and "Delineation Report" as defined therein) entered into by the Lessee with the DEC covering the Premises, as the same may be amended and supplemented.

"ACO Work" shall mean all work covered by the ACO.

"ACO Work Completion Date" shall have the meaning set forth in Section 2B(n) hereof.

"Additional Operator" shall have the meaning set forth in Section 87 hereof entitled "Other Consumer Services".

"Additional Premises" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Adjustment Period" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Affected Distribution Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Affiliate" shall mean in the singular and "Affiliates" shall mean in the plural any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Lessee and any Person in which the Lessee or a shareholder of the Lessee has an ownership, licensor/licensee or franchiser/franchisee interest or relationship, but if the Lessee shall be a corporation whose Voting Securities shall be registered with the Securities and Exchange Commission and publicly traded on a regular basis then only such shareholder of the Lessee having an ownership interest greater than five percent (5%). As used in this definition, the term "control" (including the terms controlling, controlled by and under common control with) shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Person, whether through the ownership of Voting Securities, by contract or otherwise.

"Agreement" shall mean Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease.

"Air Terminal Highway" and "Air Terminal Highways" shall mean those portions of the Airport designated and made available temporarily or permanently by the Port Authority to the public for general or limited highway use.

"AirTrain" shall have the meaning set forth in Section 62 entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises".

"Aircraft Operator" shall mean (a) a Person owning one or more aircraft which are not leased or chartered to any other Person for operation, or (b) a Person to whom one or more aircraft are leased or chartered for operation whether the aircraft so owned, leased or chartered are military or non-military, or are used for private business, pleasure or governmental business, or for carrier or non-carrier operations, or for scheduled or non-scheduled operations or otherwise. Said phrase shall not mean the pilot of an aircraft unless he or she is also the owner or lessee thereof or a Person to whom it is chartered.

"Airline Terminal Portion Work"shall have the meaning set forth in Section 2B(q) hereof.

"Airport" shall mean the land and premises in the City of New York, in the County of Queens and State of New York, which are shown in green upon the exhibit attached to the Basic Lease marked "Map II" and lands contiguous thereto which may have been heretofore or may

hereafter be acquired by the Port Authority to use for air terminal purposes.

"Airport Central Taxi Stack" shall have the meaning set forth in Section 49(b) entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management".

"Airport Fueling Agreements"shall have the meaning set forth in Section 2B(q) hereof.

"Airport Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Airport Lease Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Amended and Restated Agreement of Lease" shall mean this Amended and Restated Agreement of Lease entered into between the Port Authority and the Lessee as of the Effective Date bearing Lease No. AYB-085R and covering the Premises.

"AMR" shall mean AMR Corporation, a corporation of the State of Delaware.

"AMR's Board" shall mean the Board of Directors of AMR.

"AMR Incumbent Directors" shall mean the individuals constituting AMR's Board at the beginning of any period of 24 consecutive months.

"AMR Subsidiary" shall mean any corporation (other than AMR) in an unbroken chain of corporations beginning with AMR if each of the corporations (other than the last corporation in the broken chain) owns 50% or more of the total outstanding Voting Securities in one of the other corporations in the chain.

"American Eagle" shall have the meaning set forth in Section 19 hereof entitled "Assignment and Sublease".

"American Eagle Arrangement" shall have the meaning set forth in Section 19 hereof entitled "Assignment and Sublease".

"American's Permits" shall have the meaning set forth in Section 2B(m) hereof.

"Annual Capital Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Applicable Airport Lease Extension Agreement"shall have the meaning set forth in Section 3 hereof entitled "Term".

"Approved Cleanup Criteria" shall mean with respect to those chemicals in the soil in, on and under the Premises and as set forth with respect to soil in Exhibit 2B.3, the levels set forth for soil in the column entitled "Cleanup Criteria" on Exhibit 2B.3 and shall mean with respect to those chemicals in the groundwater in, on and under the Premises and as set forth with respect to groundwater in Exhibit 2B.3, the levels set forth for groundwater in the column entitled "Cleanup Criteria" on Exhibit 2B.3.

"Area 1" shall have the meaning set forth in Section 2B(a)(3) hereof.

"Area IA and IB Building Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area I Building Area" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area I Building Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area II Building Area" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area II Building Rental"shall have the meaning set forth in Section 4 hereof entitled "Rental".

"ASDO" shall have the meaning set forth in Schedule F attached hereto.

"ASM" shall have the meaning set forth in Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events".

"Associated or Affiliated Companies" shall have the meaning set forth in Section 44 hereof entitled "Associated and Affiliated Companies".

"Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 (a) hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Assumable Maintenance and Repair Date" shall have the meaning set forth in Section 56(b) hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Base Terminal Rental Rate" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Basic Lease" shall mean the agreement between the City of New York and the Port Authority dated April 17, 1947, as the same from time to time may have been or may be supplemented or amended. Said agreement dated April 17, 1947, has been recorded in the Office of the Register of The City of New York, County of Queens, on May 22, 1947, in Liber 5402 of Conveyances, at pages 319 et seq.

"Basic Rental Equivalent" shall have the meaning set forth in Section 82 hereof entitled "Insurance Covering Air Transportation".

"BASIS" shall have the meaning set forth in Schedule F attached hereto.

"Bid Conditions" shall have the meaning set forth in Schedule E attached hereto.

"Books and Records" shall have the meaning set forth in Section 69 hereof entitled "Books and Records".

"Building No. 56" shall have the meaning set forth in Section 41(j) hereof entitled "Hot Water and Chilled Water Requirements".

"Building No. 57 Area IA" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building No. 57 Area IB" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building No. 57 Area IC" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building Rentals" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building Rental End Date" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Capital Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Central Terminal Area" or "CTA" shall have the meaning set forth in Section 73(a)

hereof entitled "Ground Transportation within the Central Terminal Area".

"Change in Control" shall mean the happening of any of the following:

(i) When any "person" as defined in the Exchange Act, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AMR and any AMR Subsidiary and any employee benefit plan sponsored or maintained by AMR or any AMR Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of AMR; or

(ii) When any "person" as defined in Section 3(a) (9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AMR and any AMR Subsidiary and any employee benefit plan sponsored or maintained by AMR or any AMR Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of the Lessee; or

(iii) When during any period of 24 consecutive months, the AMR Incumbent Directors cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director of AMR at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an AMR Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as AMR Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iii); or

(iv) When during any period of 24 consecutive months in which the Lessee is a publicly traded company, the Lessee's Incumbent Directors cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director of the Lessee at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be a Lessee's Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as Lessee's Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iv); or

(v) The occurrence of a transaction requiring stockholder approval for the acquisition of AMR or the Lessee by an entity other than AMR, the Lessee or a AMR Subsidiary through purchase of assets, or by merger, or otherwise.

"Changes in Landlord Rights" shall have the meaning set forth in Section 53 hereof entitled "Assignment to a Trust".

"Chilled Water" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Chiller" shall have the meaning set forth in Section 41(j) hereof entitled "Hot Water and Chilled Water Requirements".

"City" and "City of New York" shall mean the municipal corporation of the State of New York known as the City of New York.

"Civil Aircraft Operator" shall mean a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he or she shall be deemed to be a Civil Aircraft Operator only to the extent that he or she engages in the operation of aircraft for civilian purposes.

"Claim" and "Claims" shall have the meaning set forth in Section 65 hereof entitled "Storage Tanks".

"Cogeneration Agreement" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Cogeneration Facility" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Comprehensive Plan" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Concession Areas" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Condition Survey" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Contract" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Contractor" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Report" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Consolidated Counters" shall have the meaning set forth in Section 71 (b) hereof entitled "Ground Transportation Services".

"Consumer Price Index" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Contractor" shall have the meaning set forth in Schedule E attached hereto.

"Cost of Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Costs of the Condition Survey" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Costs of the Parking Garage" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"CPI" or "Consumer Price Index" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"CPI Percentage Increase" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"CTA" shall have the meaning set forth in Section 73(a) hereof entitled "Ground Transportation within the Central Terminal Area".

"CTA Ground Transportation Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation within the Central Terminal Area".

"CTA Omnibus Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation Within the Central Terminal Area".

"CTA Supplementary Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation Within the Central Terminal Area".

"Currency Exchange Operator" shall have the meaning set forth in Section 85 hereof entitled "Foreign Currency Exchange".

"Current Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Current Lease Expiration Date" shall have the meaning set forth in Section 3 hereof entitled "Term".

"DEC" shall mean the New York State Department of Environmental Conservation.

"Debt" shall have the meaning set forth in Exhibit 52.1 hereof.

"Debt Financings" shall have the meaning set forth in Exhibit 52.1 hereof.

"Discharge" shall have the meaning set forth in Section 65 hereof entitled "Storage Tanks".

"Distribution Portion of the System" shall mean the Distribution Portion of the System as described in the General Airport Agreement.

"Distribution Portion Work" shall have the meaning set forth in Section 2B(q) hereof.

"Duty-Free Distribution Center" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"Duty-Free Shop" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"Duty-Free Shop Operator" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"EEO" shall have the meaning set forth in Schedule E hereof.

"Effective Date" shall have the meaning set forth in the first paragraph hereof.

"Employee Surface Carrier(s)" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Environmental Damages" shall mean any one or more of the following: (i) the presence in, on, or under the Premises of any Hazardous Substance whether such presence occurred prior to or during the term of the letting under this Agreement or resulted from any act or omission of the Lessee or others, and/or (ii) the disposal, discharge, release or threatened release of any Hazardous Substance from the Premises or of any Hazardous Substance from under the Premises

and/or (iii) the presence of any Hazardous Substance in, on or under other property at the Airport as a result of (a) the Lessee's use and occupancy of the Premises or the performance of the Section 2B Work or any other work at the Premises or (b) a migration of a Hazardous Substance from the Premises or from under the Premises or (c) the Lessee's operations at the Airport, and/or (iv) any personal injury, including wrongful death, or property damage, arising out of or related to any Hazardous Substance described in (i), (ii) or (iii) above, and/or (v) the violation of any Environmental Requirement pertaining to any Hazardous Substance described in (i), (ii) or (iii) above, the Premises and/or the activities thereon.

"Environmental Requirement" shall mean in the singular and "Environmental Requirements" shall mean in the plural all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises, requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "best management practices plans", and other programs adopted and agreements made by the Port Authority with any governmental agencies (whether adopted or made with or without consideration or with or without compulsion), with any government agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, and in the event that there shall be more than one compliance standard, except as set forth in paragraph (d)(9)(ii) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" and paragraph (f)(1) of Section 59 hereof entitled "Environmental Obligations", the standard for any of the foregoing to be that which requires the lowest level of a Hazardous Substance, the foregoing to include without limitation:

(i) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist;

(ii) All requirements pertaining to the protection from Hazardous Substances of the health and safety of employees or the public;

(iii) The Atomic Energy Act of 1954 , 42 U.S.C. Section 2011 et. seq.; the Clean Water Act also known as the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et. seq.; the Clean Air Act, 42 U.S.C. Section 7401 et. seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 et. seq.; the Comprehensive Environmental Response,

Compensation, and Liability Act, 42 U.S.C. Section 9601 et. seq.; the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Section 2701 et. seq. ; the Emergency Planning and Community Right to Know Act, 42 U.S.C. Section 11001 et. seq.; the Occupational Safety and Health Act, 29 U.S.C. Section 651 et. seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et. seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et. seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et. seq.; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f-300h-11 et. seq.; the New York State Environmental Conservation Law; the New York State Navigation Law; together, in each case, with any amendment thereto, and the regulations adopted, guidances, memoranda and publications promulgated thereunder and all substitutions thereof; and

(iv) the ACO.

"Environmental Restriction" shall mean in the singular and "Environmental Restrictions" shall mean in the plural (x) any requirement or obligation pursuant to any Environmental Requirement or imposed by any Governmental Authority (whether stated as a condition or otherwise) to further remediate, clean-up or restore the Premises and/or the Site as a result of the presence of any Hazardous Substance thereon, therein, or thereunder, including without limitation the groundwater thereunder, or (y) the presence of any Hazardous Substance in, on or under the Premises and/or the Site, including without limitation the groundwater thereunder, which shall or may result in a restriction, encumbrance or lien of any nature whatsoever being placed upon the Premises or the Airport or the use or occupancy thereof or any operations or activities conducted or to be conducted thereon or the transfer, development or construction thereof or thereon, or which shall result in the Premises and/or the Site not being in the condition required by the Basic Lease upon surrender of the Airport by the Port Authority to the City of New York.

"Equal Employment Opportunity" or "EEO" shall have the meaning set forth in Schedule E hereof.

"Excavated Material" shall have the meaning set forth in Section 2B(d)(9) hereof.

"Excess Price" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation With the Central Terminal Area".

"Exchange Act" shall mean the Securities Act of 1934.

"Exhibit 1.1" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Exhibit 2B.1" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Exhibit 2B.3" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Exhibit 52.1" shall have the meaning set forth in Section 52 hereof entitled "Lessee's Financial Condition - Limitation of Lease Term - Triggering Events".

"Exhibit H Property" shall have the meaning set forth in Section 29 hereof entitled "Removal of Property".

"Exit Baseline" shall have the meaning set forth in Section 59 hereof entitled "Environmental Obligations".

"Federal Inspection Service(s)" shall mean the inspection of the Lessee's air passengers and their baggage for immigration, customs, public health and other governmental purposes by agencies of the United States having jurisdiction thereof.

"Fee Transfer Agreement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Final Lease Extension Date" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Foreign Currency Exchange Service" shall have the meaning set forth in Section 85 hereof entitled "Foreign Currency Exchange".

"Former Agreements" shall mean the Surrendered Lease, the United Consent, the Northwest Consent, Permit No. AYC-136 and Permit No. AY-953.

"Fuel Line Risks"shall have the meaning set forth in Section 2B(q) hereof.

"Fuel Lines Work"shall have the meaning set forth in Section 2B(q) hereof.

"General Airport Agreement" shall mean that certain agreement and lease of premises entitled "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented, amended and extended) and bearing Port Authority file number designation AY-351 which governs the rights, privileges, duties and obligations of and between the parties hereto with respect to the Airport.

"General Manager of the Airport" shall mean the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in the said General Manager by this Agreement; but until further notice from the Port Authority to the Lessee it shall

mean the General Manager (or the temporary or acting General Manager) of the Airport for the time being, or his duly designated representative or representatives.

"Governmental Authority", "Governmental Board" and "Governmental Agency" shall each mean federal, state, municipal and other governmental authorities, boards and agencies of any state, nation or government, except that they shall not be construed to include The Port Authority of New York and New Jersey, the lessor under this Agreement.

"Gross Receipts" shall mean and include all monies paid or payable to an Operator for sales made and for services rendered at or from the Premises, and outside the Premises, if the order therefor is received at the Premises, and any other revenues of any type arising out of or in connection with the Operator's operations at the Premises, provided, however, that any taxes or other governmental charges imposed by law which are separately stated to and paid by a customer and directly payable to the taxing authority by the Operator, shall be excluded therefrom.

"Ground Carrier Permittees" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Ground Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Ground Transportation Operators" shall have the meaning set forth in Section 71(a) hereof entitled "Ground Transportation Services".

"Guide" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Handled Airlines" shall mean any Requesting Airline, Accommodated Handled Airlines, Accommodated Sublessee Airlines and any other Scheduled Aircraft Operators who are operating at the Airport pursuant to accommodations provided by the Lessee, whether pursuant to a sublease agreement, Handling Agreement or a combination of both, which agreement has been consented to by the Port Authority and which consent remains in full force and effect.

"Handling Agreement" shall mean a ground handling or handling agreement, as such terms are used and understood in the aviation industry, or any other agreement entered in to between the Lessee and an Aircraft Operator whereby the Lessee provides the types of services provided by a handling Aircraft Operator to a handled Aircraft Operator under a ground handling or handling agreement, it being understood and agreed that the Lessee shall have no right to enter into a Handling Agreement without the prior written consent of the Port Authority.

"Hazardous Substance" shall mean and include in the singular and "Hazardous

Substances" shall mean and include in the plural any pollutant, contaminant, toxic or hazardous waste, dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls ("PCBs"), chemicals known to cause cancer, endocrine disruption or reproductive toxicity, petroleum and petroleum products and other substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and publications promulgated pursuant thereto.

"Hot Water" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Indebtedness" shall have the meaning set forth in Exhibit 52.1 hereof.

"In-Flight Meals" as used in the air transportation industry and in this Agreement is a word of art and includes food, beverages, snacks, non-reusable supplies, materials, dry goods and all services rendered in connection therewith.

"In-Flight Meal Operator" shall have the meaning set forth in Section 78(a) hereof entitled "In-Flight Meals".

"Inert Fuel Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Initial Price" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation within the Central Terminal Area".

"Itinerant Aircraft" shall have the meaning set forth in Section 76 hereof entitled "Itinerant Aircraft".

"KIAC" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Lease" shall mean Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease.

"Lease AYB-085" shall mean that certain agreement of lease entered into between the Port Authority and the Lessee as of the first day of August, 1976 and bearing Port Authority Lease No. AYB-085, as amended, supplemented and extended as of the day immediately proceeding the Effective Date (and includes Section 2B hereof as of September 24, 1998 and Section 59 hereof as of August 1, 1976), pursuant to which the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises including without limitation the Lease AYB-085 Premises.

"Lease AYB-085 Premises" shall mean the land shown in stipple and crosshatching on Exhibit 1.1 at John F. Kennedy International Airport in the County of Queens, City and State of New York, together with all buildings, improvements and structures which were erected thereon by the Lessee under the Former Agreements and Lease AYB-085, the aforesaid land, together with all buildings, structures, fixtures, improvements and other property of the Port Authority located therein, thereon or thereunder, all of the foregoing being and constituting the premises under Lease AYB-085 as of the day immediately preceding the Effective Date, and all structures, improvements, additions, buildings, installations and facilities located, constructed or installed, or which may be located, constructed or installed therein, thereon or thereunder, and the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler, fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems, and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins constructed therein, thereon or thereunder as of the Effective Date, provided, however, it is hereby understood and agreed that the AirTrain, the Cogeneration Facility, the Traffic Systems and the Distribution Portion of the System are not a part of the Lease AYB-085 Premises and shall not be or become a part of the Premises.

"Lessee" shall mean American Airlines, Inc., a corporation of the State of Delaware.

"Lessee's Basic Schedule" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Lessee's Basic Schedule for 1999" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Lessee's Commencement Basic Schedule" shall have the meaning set forth in Section 46 hereof entitled "Addition Rights of the Port Authority as to Portions of the Premises".

"Lessee's Parking Garage Contribution" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Lessee's Personal Property" shall have the meaning set forth in Section 29 hereof entitled "Removal of Property".

"Lessee's Use Agreements" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Liabilities" shall mean any and all risks, claims, demands, causes of action, suits, legal and administrative proceedings, inquiries, charges, orders (including without limitation, administrative and judicial), interest, penalties, payments in lieu of penalties, fines, punitive and consequential damages, liabilities (including without limitation tort, statutory and strict liability), negligence of any kind, settlements, attorney, expert witness and consultant fees, investigation and laboratory fees, costs, expenses and fees for preparation of reports and corrective action plans, cleanup, remediation and restoration costs, reckonings, bonds, bills, specialities, debts, dues, executions, statutory and common law contribution and cost recovery, environmental mitigation liabilities, natural resources damages, costs to remove any property or ground water use restrictions or other Environmental Restrictions, long-term monitoring and maintenance requirements, court costs and litigation expenses, damages, judgments, losses, injuries and costs and expenses, of whatsoever kind or nature, including without limitation, those of the Lessee, those of the City of New York pursuant to the Basic Lease or by operation of law for indemnity or otherwise, those of any Governmental Authority, those of any party responsible or potentially responsible for Hazardous Substances in, on or under the Premises and/or the Site or disposed of properly or improperly off the Premises or the Site, as the result of or pursuant to any Environmental Requirement, contract, lease, agreement or otherwise, and those for trespass, breach of contract, contribution, cost recovery, property damages and personal injuries (including death), and whether known or unknown, contingent or otherwise, just or unjust, groundless, direct or indirect, unforeseeable or otherwise, in law or in equity.

"Local Business Enterprise" or "LBEs" shall have the meaning set forth in Schedule F attached hereto.

"Main Terminal" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Material Part" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Meaningful Participation" shall have the meaning set forth in Schedule E hereof.

"Measuring Period" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Metro Area" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Migrated Hazardous Substance" shall mean a Hazardous Substance in, on or under the Premises which has migrated from outside of the Premises or from outside the groundwater under the Premises and which Hazardous Substance was not, in whole or in part, disposed of, discharged or released by, in connection with, or as a result of, any act or omission of the Lessee and which migration from outside of the Premises or from outside the groundwater under the Premises was not in anyway, in whole or in part, caused by or occurred in connection with or arose out of any act or omission of the Lessee.

"Minority" shall have the meaning set forth in Schedule E hereof.

"Minority Business Enterprise" or "MBE" shall have the meaning set forth in Schedule E.

"Naturally Occurring Hazardous Substance" shall have the meaning set forth in paragraph (d)(9)(ii)(bb) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"New Airport Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"New Isolation Valves" shall have the meaning set forth in Section 2B(q) hereof.

"Newsstand Operator" shall have the meaning set forth in Section 83 hereof entitled "Newsstands".

"New System Components" shall have the meaning set forth in Section 2B(q) hereof.

"Non-Premises Distribution Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Northwest Consent" shall mean the consent agreement entered into between and among Northwest Airlines, Inc, United Airlines, Inc., the Lessee and the Port Authority as of December 13, 1989 pursuant to which the Port Authority consented to the Lessee's occupancy of a portion of the Premises as a sub-sublessee of United Airlines, Inc. and as a sublessee of Northwest Airlines, Inc. under a gate use agreement entered into between the Lessee and Northwest Airlines, Inc.

"Off-Premises Roads" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Off-Premises Work" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Off-Site Utility Service Line Work" shall have the meaning set forth in Section 2B(l) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Operation and Maintenance Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Operator" shall mean and include each and every Retail Manager, Restaurant Operator, Newsstand Operator, Duty-Free Shop Operator, Currency Exchange Operator, Retail Bank Operator, Additional Operator, Employee Surface Carrier, Ground Carrier Permittee, Passenger Surface Carrier, In-flight Meal Operator and any other Person who conducts any business or operations on or at the Premises and for which the Port Authority shall impose a fee or rental on the conduct of such business and operations in accordance with this Lease or the General Airport Agreement or otherwise.

"Other Users" shall have the meaning set forth in Section 2B(q) hereof.

"Paragraph (c) Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Paragraph (d) Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Parking Garage" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Contract" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Contractor" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Payment" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Work" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Participants" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area".

"Passenger Surface Carrier or Carriers" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Passenger Terminal Work" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Permanent Interest" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Permit No. AY-953" shall mean that certain permit dated as of June 20, 1960 and bearing Port Authority agreement number "AY-953" entered into between the Port Authority and the Lessee covering the Lessee's use of a portion of the Lease AYB-085 Premises.

"Permit No. AYC-136" shall mean that certain permit dated as of June 1, 1991 and bearing Port Authority agreement number "AYC-139" entered into between the Port Authority and the Lessee covering the Lessee's use of a portion of the Premises.

"Permitted Modification" shall have the meaning set forth in Section 2B(q) hereof.

"Permitted Tenancy" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Period of Underutilization" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Person" shall mean not only a natural person, corporation or other legal entity, but also two or more natural persons, corporations or other legal entities acting jointly as a firm, partnership, unincorporated association, consortium, joint adventurers or otherwise.

"Phase I Construction Work" shall have the meaning set forth in Section 2A of Lease AYB-085 entitled "Additional Construction by the Lessee".

"Port Authority" shall mean the Port Authority of New York and New Jersey, a body corporate and politic, established by Compact between the States of New Jersey and New York with the consent of the Congress of the United States of America.

"Port of New York District" shall have the meaning set forth in Article II of the Compact.

"Premises" shall collectively mean the Lease AYB-085 Premises and the Additional Premises, provided, however, it is hereby understood and agreed that the AirTrain, the Cogeneration

Facility, the Traffic Systems and the Distribution Portion of the System was not as part of the Lease AYB-085 Premises and shall not be or become a part of the Premises hereunder.

"Premises Circulation Facilities" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Premises Distribution Line" shall have the meaning set forth in Section 2B(q) hereof.

"Public Aircraft Facilities" shall mean the following facilities, as they may from time to time be provided and maintained by the Port Authority at the Airport for public and common use, including use by Civil Aircraft Operators, for the following purposes and which (except as provided in Section 12.12 of the General Airport Agreement) are usable for such purposes regardless of whether or not they are actually used or usable in whole or in part by the Lessee:

(i) Public Aircraft Parking and Storage Area; and

(ii) Public Ramp and Apron Area; and

(iii) Runways; and

(iv) Taxiways; and

(v) Facilities Incidental to the Runways, Ramp and Apron Area, Aircraft Parking and Storage Area and Taxiways.

"Public Aircraft Parking and Storage Space" shall mean areas at the Airport for public and common use for the purpose of parking and storing aircraft, for the purpose of servicing aircraft with fuel and lubricants and other supplies for use thereon, and for the purpose of making minor or emergency repairs to aircraft.

"Public Landing Area" shall mean the area of land at the Airport including Runways, Taxiways and the areas between and adjacent to Runways and Taxiways, designated and made available from time to time by the Port Authority for the landing and taking off of aircraft.

"Public Ramp and Apron Area" shall mean the area adjacent to the Public Landing Area designated and made available from time to time by the Port Authority for common use for the loading or unloading of passengers or cargo to or from aircraft using the Public Landing Area.

"QF Status" shall have the meaning set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements".

"Redevelopment Work" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Redevelopment Work Completion Date" shall have the meaning set forth in Section 2B(n)(2) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Redevelopment Work Investment" shall mean the sum of the following amounts, and such amounts only, actually paid by the Lessee to the extent that the inclusion of the same is permitted by sound accounting practices consistently applied:

(i) the amounts paid by the Lessee to independent third party contractors for work actually performed and labor and materials actually furnished in connection with the Redevelopment Work, inclusive of sales, use and like taxes where applicable, and

(ii) the amounts actually paid by the Lessee in connection with the Redevelopment Work (without duplication and excluding any amounts included in any other item hereof) for engineering, architectural, professional and consulting services, and the supervision of construction, inclusive of sales, use and like taxes where applicable, provided, however, that such amounts pursuant to this subdivision (ii) shall not exceed ten per cent (10%) of the amounts described in subdivision (i);

in each case, as the above-mentioned amounts are evidenced, from time to time, by certificates of a responsible fiscal officer of the Lessee sworn to before a notary public and delivered to the Port Authority, which certificates shall:

(a) set forth, in reasonable detail, the amounts paid to specified independent third party contractors and the amount of payments made to other specified Persons, which have not previously been reported in certificates delivered to the Port Authority;

(b) have attached thereto reproduction copies or duplicate originals of the invoices of such independent third party contractors and other Persons and an acknowledgment by such independent contractors and other Persons of the receipt by them of such amounts and payments; and

(c) certify that the amounts and payments therein set forth constitute all or a portion of the Redevelopment Work Investment in the Premises arising out of the performance of the Redevelopment Work.

The Redevelopment Work Investment shall include only Redevelopment Work performed by the Lessee in accordance with all the terms and provisions of this Lease. Further it is specifically

understood and agreed that the Redevelopment Work Investment shall not include any amounts paid for or in connection with any trade fixtures or other personal property of the Lessee or any payment or payments on account of any administrative or other overhead costs of the Lessee whether or not allocated to the Redevelopment Work by the Lessee's own accounting practices. All records of the Lessee with respect to the Redevelopment Work Investment and as set forth in the foregoing shall be kept at all times within the Port of New York District for a period of two (2) years after the final costs of all the Redevelopment Work Investment have been submitted by the Lessee to the Port Authority or the end of the term of the letting, whichever is later, and shall be subject to the audit and inspection of the Port Authority, its representatives and employees.

"Redesignation Date" shall have the meaning set forth in Section 2B(q) hereof.

"Redesignated Airline Terminal Portion of the System" shall have the meaning set forth in Section 2B(q) hereof.

"Reference Month" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Relocation Work" shall have the meaning set forth in Section 2B(l) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Remediation Work" shall have the meaning set forth in Section 2B(b) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Remote Terminal" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Rentals" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Report Date" shall have the meaning set forth in Section 57 hereof entitled "Joint Periodic Condition Survey".

"Requesting Airline" shall have the meaning set forth in Section 45 hereof entitled "Requesting Airlines at the Airport".

"Required Conditions" shall mean all of the following conditions: (i) the Redevelopment Work Completion Date shall have occurred, (ii) the Lessee shall have made a Redevelopment Work Investment in the Premises of not less that Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), and (iii) the Premises shall contain not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody

aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of aircraft gate positions as shall satisfy the requirement for this item (iii) of the Required Conditions.

"Reserved Uses" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Resident Engineer" shall mean the person designated as the Resident Engineer at the Airport by the Chief Engineer of the Port Authority.

"Restaurant Operator" shall have the meaning set forth in Section 80 hereof entitled "Restaurant and Bar".

"Retail Bank Operator" shall have the meaning set forth in Section 86 hereof entitled "Retail Banking".

"Retail Bank Service" shall have the meaning set forth in Section 86 hereof entitled "Retail Banking".

"Retail Manager" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Return Date of the Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Revenue Seats Daily Average" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Risk-based Clean-up" shall mean (x) the use of any risk based cleanup levels or goals or other regulatory approved cleanup levels or goals in the performance of the Section 2B Work or any other work performed in, on or under the Premises, including without limitation the groundwater thereunder, during the term of the letting under this Lease, whether or not such use is approved by the Port Authority and including without limitation the Approved Cleanup Criteria and (y) any other failure to remove, remediate or clean-up any Hazardous Substance in the performance of the Section 2B Work or any other work performed in, on or under the Premises during the term of the letting under this Lease, which use or failure shall or may result in any Environmental Restriction.

"RPM" shall have the meaning set forth in Section 52 hereof entitled "Lessee's

Financial Condition - Limitation of Lease Term - Triggering Events".

"Runways" (including approaches thereto) shall mean the portion of the Airport used for the purpose of the landing and taking-off of aircraft.

"Satellite Portion Work" shall have the meaning set forth in Section 2B(q) hereof.

"Scheduled Aircraft Operator" shall mean a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no Person shall be deemed to be a Scheduled Aircraft Operator within the meaning of this Agreement unless it also holds such a permit or certificate.

"Section 2B Work" shall have the meaning set forth in Section 2B(b) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Section 2B Work Completion Date"shall have the meaning set forth in Section 2B(n) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Site" shall collectively mean the Premises and all the locations off the Premises where the Section 2B Work is performed.

"Specified Amount" shall have the meaning set forth in Exhibit 52.1 hereof.

"Street Prices" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Street Pricing" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Submissions" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area".

"Subsidiary" shall mean any corporation or other Person of which securities or other interests having the power to elect a majority of the corporations's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person, are held by the Lessee or one or more of its Subsidiaries.

"Substantial Part" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Subusers" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Surrender Date" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Surrendered Lease" shall mean that certain agreement of lease entered into between the Lessee and the Port Authority as of the eleventh day of April 1956 and bearing Port Authority Lease No. AY-581, as the same was amended and supplemented.

"Surrendered Premises" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"System Costs" shall have the meaning set forth in Section 2B(q) hereof.

"System License" shall have the meaning set forth in Section 2B(q) hereof.

"System Operator" shall have the meaning set forth in Section 2B(q) hereof.

"Taking" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Tank" and "Tanks" shall have the meaning set forth in Section 65 entitled "Storage Tanks".

"Taxi Dispatcher Period" shall have the meaning set forth in Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management".

"Taxiways" shall mean the portion of the Airport used for the purpose of the ground movement of aircraft to, from and between the Runways, the Public Ramp and Apron Area, the Public Aircraft Parking and Storage Area and other portions of the Airport (not including, however, any taxiways, the exclusive use of which is granted to the Lessee or any other Person by lease, permit or otherwise).

"TDS" shall have the meaning set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements".

"Temporary Interest" shall have the meaning set forth in Section 18 hereof entitled

"Condemnation".

"Terminal Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Adjustment Period" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Commencement Date" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental CPI Percentage Increase" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Rate" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Reference Month" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Total Revenue Seats" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Traffic Systems" shall have the meaning set forth in Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee".

"Triggering Event" and "Triggering Events" shall have the meaning set forth in Exhibit 52.1 hereof.

"Trust" shall have the meaning set forth in Section 53 hereof entitled "Assignment to a Trust".

"Unamortized Redevelopment Investment" shall mean an amount equal to the lesser of (x) Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) or (y) the Redevelopment Work Investment, after deduction from the lesser of such amount of an amount equivalent to an allowance for depreciation and amortization; such allowance to be computed on a straight-line basis from the earlier of (i) the sixth (6th) anniversary of the Effective Date or (ii) the Redevelopment Work Completion Date to the end of the average useful life thereof (as determined under generally accepted United States accounting principles) or December 27, 2015, whichever is the shorter. (It is recognized that if the term of the letting under the Lease is extended pursuant to

"Condemnation".

"Terminal Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Adjustment Period" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Commencement Date" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental CPI Percentage Increase" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Rate" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Reference Month" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Total Revenue Seats" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Traffic Systems" shall have the meaning set forth in Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee".

"Triggering Event" and "Triggering Events" shall have the meaning set forth in Exhibit 52.1 hereof.

"Trust" shall have the meaning set forth in Section 53 hereof entitled "Assignment to a Trust".

"Unamortized Redevelopment Investment" shall mean an amount equal to the lesser of (x) Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) or (y) the Redevelopment Work Investment, after deduction from the lesser of such amount of an amount equivalent to an allowance for depreciation and amortization; such allowance to be computed on a straight-line basis from the earlier of (i) the sixth (6th) anniversary of the Effective Date or (ii) the Redevelopment Work Completion Date to the end of the average useful life thereof (as determined under generally accepted United States accounting principles) or December 27, 2015, whichever is the shorter. (It is recognized that if the term of the letting under the Lease is extended pursuant to

Section 3(c) or 3(d) of the Lease entitled "Term", then said the supplement so extending the Lease would amend the said December 27, 2015 date to reflect the new expiration date of the term of the letting hereunder.) The foregoing computation to be made shall not take into consideration the effect of accelerated amortization, if any, granted to or taken by the Lessee on its books or otherwise under the provisions of Section 168(a) of Title 26 USCA or similar legislation hereafter enacted.

"United Consent" shall mean the consent agreement entered into between and among the Port Authority, the Lessee and United Airlines, Inc. as of October 9, 1989 pursuant to which the Port Authority consented to the Lessee's occupancy of a portion of the Premises as a sublessee of United Airlines, Inc. under a sublease agreement entered into between the Lessee and United Airlines, Inc.

"Users" shall have the meaning set forth in Section 2B(q) hereof.

"Voting Security" or "Voting Securities" shall include any stock, bond or other obligation of a corporation the holder of which has any voting rights including but not limited to the right to vote for the election of members of the board of directors of said corporation and shall include any security convertible into a Voting Security and any right, option or warrant to purchase a Voting Security.

"Women-owned Business Enterprise" or "WBE" shall have the meaning set forth in Schedule E.

Section 92. Entire Agreement

This Agreement consists of the following: Lease AYB-085 and Sections 1 through 92 inclusive of this Amended and Restated Agreement of Lease and Exhibits 1.1, 1.2, 2B.1, 2B.2, 2B.3, 2B.4, 4.1, 29.1, 52.1, 59.1, 73.1, and 79.1 and Schedule E and Schedule F attached hereto. It constitutes the entire agreement of the parties on the subject matter hereof and may not be changed, modified, discharged or extended except by written instrument duly executed by the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon

the Port Authority unless expressed in writing in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the Effective Date.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By

(Title) Asst. Director - Aviation

(Seal)

ATTEST:

Asst Secretary

AMERICAN AIRLINES, INC.

By

(Title) Vice President

(Corporate Seal)

APPROVED FOR TRANSMITTAL	
FORM	TERMS

Final AYB-085 Dated 12/21/00

Form - All-Purpose Ack. N.Y. (rev 1/4/2000)

FOR THE PORT AUTHORITY

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 29th day of December in the year 2000, before me, the undersigned, a Notary Public in and for said state, personally appeared F. DiMola, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Karen E. Eastman
(notarial seal and stamp)
KAREN E. EASTMAN
Notary Public, State of New York
Qualified in New York County
No. 01EA4766314
Commission Expires 2/28/2003

FOR THE LESSEE

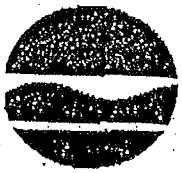
STATE OF Texas)
) ss.
COUNTY OF Tarrant)

On the 21st day of December in the year 2000, before me, the undersigned, a Notary Public in and for said state, personally appeared Gary F. Kennedy, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Sandra S. Symanovich
(notarial seal and stamp)

SANDRA S. SYMANOVICH
Notary Public, State of Texas
My Commission Expires 05-09-04

New York State Department of Environmental Conservation
47-40 21st Street, Long Island City, NY 11101
Telephone (718) 482-4933, extension 7120



Michael Zagata
Commissioner

June 28, 1996

Marvin Kirshner, P.E.
Chief Environmental Engineer
The Port Authority of NY & NJ
One World Trade Center
New York, N.Y. 10048

Re: Risk Assessment, Central Terminal Area, JFKIA. NYSDEC File No. R2-3519-91-02.

Dear Mr. Kirshner:

I am pleased to inform you that the department conditionally approves the Port Authority's Human Health Risk Assessment (Risk Assessment) prepared for the remediation of Terminals 1, 1A, and 3 located in the Central Terminal Area (CTA) at John F. Kennedy International Airport (JFKIA), Jamaica, Queens. The CTA Risk Assessment documentation includes the following reports and correspondence:

- *Regulatory Criteria For Soil And Groundwater*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - October 1993
- *Human Health And Ecological Risk Assessment*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - November 1993
- *Remedial Objectives And Proposed Remedial Action Goals*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - November 1993
- February 17, 1994 letter from Marvin Kirshner to Randall Austin, Region 2 Spills, providing clarification of Risk Assessment issues
- *Comparison Of The "Health Risk Assessment" For The Central Terminal Area*
  JFK International Airport To The ASTM "Emergency Standard Guide For Risk- Based Corrective Action Applied At Petroleum Release Sites"
  Malcolm Pirnie - September 1995
- *Addendum - Central Terminal Area - JFK International Airport*
  Human Health Risk And Ecological Risk Assessment And Remedial Objectives And Proposed Remedial Action Goals
  Malcolm Pirnie - November 1995
- March 26, 1996 letter report from Marvin Kirshner to Steven Miller, Region 2 Spills, providing: *PRAGS for the Utility/Maintenance worker 25 year scenario; Protection of Aquatic Resources in Jamaica Bay; Duputt Equation Documentation*
- April 17, 1996 correspondence from Barry Lucas to Steven Miller, Region 2 Spills, providing *revised PRAGS for the Utility/Maintenance worker 25 year scenario*

The attached table, *JFKIA - Central Terminal Area - Remediation Cleanup Goals,*

provides rational de minimis cleanup criteria for ongoing and recently completed Port Authority CTA remediation projects. The cleanup criteria accurately reflects traditional department remediation goals and objectives and is faithful to the Risk Assessment within our developing RBCA process. Chemical-specific cleanup criteria values are taken from either the Utility/Maintenance 25 year scenario or derived from alternative department sources. The Risk Assessment documentation provides a viable Site Conceptual Exposure Scenario for protection of human health and a reasonable ground water analytical model for potential contaminant migration to the CTA shoreline.

However, department approval requires that the following conditions be met:

i. Removal of all free floating product;
ii. Development of a department-approved area-weighted closure sampling plan for chemicals of concern;
iii. Development of a Risk Assessment Applicability Checklist for additional Port Authority and JFKIA tenant remediation projects in the CTA.

Please call me at the telephone number provided above if you wish to discuss this letter. Meanwhile, I will be actively pursuing conditions ii & iii with Barry Lucas, of your staff.

Very truly yours,

Steven Miller
Geologist, Spills Management

cc: *Randall Austin* - NYSDEC Spills Management
Frank Peduto - Tom Plesnarski - NYSDEC Spills Management, Central Office; *Paul Gallay* - NYSDEC Legal Affairs.
Ilzra Aviles - Mary Lee Clanton - Barry Lucas - Port Authority of NY & NJ
Denise Branch - JFKIA Environmental, Port Authority of NY & NJ; *Rich Louis* - PA JFKIA Airport Facilities Division

Exhibit 2B.3

JFKIA - Central Terminal Area - Remediation Cleanup Goals

SOIL

CHEMICAL	Proposed PRAGS (mg/kg)	Cleanup Criteria (mg/kg)	Basis (see notes below)
Acetone	5.6E+06	5.1E+01	Table 4-5
Benzene	6.7E-03	6.7E-03	25 yr U/M
2-Butanone	2.7E+01	2.7E+01	25 yr U/M
Ethylbenzene	1.6E+02	1.6E+02	25 yr U/M
Ethylene glycol	1.1E+08	6.0E+03	Water *
Methylene chloride	3.5E-02	3.5E-02	25 yr U/M
1,1,2,2-Tetrachloroethane	1.2E-02	1.2E-02	25 yr U/M
Tetrachloroethene	6.6E+05	1.4 E-00	TAGM, 1994
Toluene	2.3E+01	2.3E+01	25 yr U/M
Vinyl Acetate	3.8E+00	3.8E+00	25 yr U/M
Xylenes	1.1E+08	8.2E+01	Table 4-5
bis(2-Ethylhexyl)phthalate	1.1E+04	5.0E+01	TAGM, 1994
PAHs (pyrene)	1.7E+06	5.0E+02	TAGM, 1994
PAHs (Benzo(a)pyrene)	2.1E+01	2.1E+01	25 yr U/M

GROUND WATER

CHEMICAL	Proposed PRAGS (mg/l)	Cleanup Criteria (mg/l)	Basis (see notes below)
Acetone	6.1E+04	2.5E+01	Table 4-6
Benzene	3.4E-01	3.4E-01	25 yr U/M
2-Butanone	3.5E+03	2.5E+01	Table 4-6
Carbon disulfide	7.0E+01	7.0E+01	25 yr U/M
1,1-Dichloroethane	3.9E+03	2.5E+00	Table 4-6
Ethylbenzene	3.5E+01	3.5E+01	25 yr U/M
Ethylene glycol	7.0E+05	6.0E+03	Water *
Toluene	7.0E+01	7.0E+01	25 yr U/M
Xylenes	7.1E+03	2.5E+00	25 yr U/M
bis(2-Ethylhexyl)phthalate	2.1E+00	2.1E+00	25 yr U/M
2,4-Dimethylphenol	1.1E+02	1.1E+02	25 yr U/M
2-Methylphenol	5.9E+02	5.9E+02	25 yr U/M
(PAHs (pyrene)	3.2E+01	3.2E+01	25 yr U/M

PRAGS = Proposed Remedial Action Goals, (CTA Human Health Risk Assessment, revised April 17, 1996).
Bold-typed concentration criteria identify PRAGS where substitute criteria have been selected.
25 yr U/M refers to JFKIA CTA Human Health Risk Assessment for utility & maintenance workers @ 25 yr scenario.
Table 4-5 criteria refers to a draft Spills Div. table for contaminant leachate migration via ground water.
Table 4-6 criteria derived from a draft Spills Div. table for dilution attenuation of migrating ground water contaminants.
TAGM, 1994 refers to the Div. of Haz. Waste Remediation: Determination of Soil Cleanup Objectives & Cleanup Levels.
** Ground water criteria for ethylene glycol developed with Division of Water personnel.*

For The Port Authority

Initialled:

For the Lessee

TOTAL P.04

EXHIBIT 79-1

Aalamort.xls AA Concessions Sq Ft Listing 5/1/00

LSG/Sky Chefs
AA Terminal Concessions Development

Terminal 8

ıcation	Tenant	Square Feet
BA 1	WrapRite Baggage Svc	200
BA2	Au Bon Pain	1850
BA3	Travelex	145
BA4	Hudson News	793
3A5.1	I Santi	685
3A5.2	Speedo	875
BA6	Altitunes	163
BA7	Athlete's Foot (WDF)	955
BA8	Brookstones	890
3A10	Hudson News	1051
3A11	Cap It	398
3A12	Hudson News	478
3A13	Broadway Brewing	1140
3A14	Sbarro	900
BA15	Wok & Roll	1034
BA16	Pickle's Deli & Soup	903
BA17	McDonald's	1620
BA18	Everything Yogurt Cafe	1075
BA20	Common Seating	4348
21	Sunglass Hut	150
BA22	Tie Rack	195
BA23	Travelex	90
BA24	Swatch	380
A1	International Shoppes	1541
A3	Hudson News	515
A4	International Shoppes	553
A5	The Grove	88
A6	Broadway Brewing	1585
AL-1	Nathan's (W&R)	128
AL-2	Hudson News	150
ALL-3	Travelex	120
B1	Au Bon Pain	170
B2	Common Seating	825
B2.1	Broadway Brewing	145
B3	The Grove	88
B4	Vacant	95
B5	International Shoppes	1092
B6	Hudson News	320

erminal 8 Square Footage	27,733

Terminal 9

Location	Tenant	Square Feet
D1	TGI Friday's (Anton's)	1006
D2	Hudson News	543
D3	Starbucks	474
D3A	Brookstones	710
D3B	The Grove	88
D4	Hudson News	1242
D5	Sbarro	890
D6	Au Bon Pain	1230
D7	Common Seating	2125
D8	TGI Friday's (Anton's)	5363
D9	Book Connection	750
D10	Fossil (WDF)	720
D11	Milano- Tie Box	218
D12	Sunglass Hut	170
D41	Treat Street (E.Y.)	219
DLL-4	Travelex	100
C1	Hudson News	285
C2	Starbucks	473
C3	VACANT	528
C4	International Shoppes	1545
C5	The Grove	88
C6	Hudson News	750
C7	TGI Friday's (Anton's)	900
C8B	Altitunes	180
C8C	Cap It	150
C9/C11	American Designer (WDF)	1285
C10	TGI Friday's (Anton's)	788

Terminal 9 Square Footage	22,820

% of T8	% of Total		
57%	31%	Food & Bev T 8	15899
29%	16%	Retail T 8	7998
2%	1%	Services T 8	650
11%	6%	Duty Free	3186
100%	55%	T 8 Total Square feet	27733
% of T9	**% of Total**		
60%	27%	Food & Bev T 9	13644
33%	15%	Retail T 9	7531
0%	0%	Services T 9	100
7%	3%	Duty Free	1,545
100%	45%	T9 Total Square feet	22,820
	58%	Food & Bev Total	29543
	31%	Retail Total	15529
	2%	Services	750
	9%	Duty Free	4,731
		TOTAL AA TERMINALS	50,553

For the Port Authority

tialled:

For the Lessee

the "Effective Date" as defined in the Lease, the Lessee has multiple publicly or non-publicly held Debt Financings each in excess of Twenty-five Million Dollars ($25,000,000) which include events of default which could lead to acceleration thereof.

(3) A Triggering Event shall occur if any of the following shall occur and the Port Authority shall have previously given or shall thereafter during the pendency thereof give the Lessee notice of the election of the Port Authority to activate such Triggering Event:

(a) as a result of a default by the Lessee, other than a default arising due to compliance by the Lessee with any applicable law or directive or (provided that the Lessee has satisfied the Port Authority that it is reasonable to comply therewith) with any requirement, whether having the force of law or not, of any government or regulatory authority to which the Lessee is subject, unless such default results in the Lessee becoming bound to repay prematurely any of its Indebtedness for borrowed moneys as described in (i) below (not being that in respect of which the default has occurred) and steps are taken to obtain repayment thereof:

(i) the Lessee becomes bound to repay prematurely any of its Indebtedness for borrowed moneys having an outstanding aggregate principal amount of at least Twenty-five Million Dollars ($25,000,000) or its equivalent in any other currency or currencies (hereinafter in this paragraph (a)(i) called the "Specified Amount") and steps are taken to obtain repayment thereof; or

(ii) any such Indebtedness having an outstanding aggregate principal amount of at least the Specified Amount or any guarantee or indemnity of the Lessee of any Indebtedness of any Person for borrowed moneys having an outstanding aggregate principal amount of at least the Specified Amount is not, when due, paid by the latest of its due date, the expiry of any applicable grace period and (if payment is prevented by any applicable law) fifteen (15) days after the first date on which payment is permitted,

provided that any such acceleration of maturity, default or failure to pay in (i) and (ii) above, as the case may be, shall not constitute a Triggering Event so long as the Lessee satisfies the Port Authority that it is being contested in good faith by the Lessee or as long as the Lessee demonstrates to the Port Authority that such event of default and acceleration of Debt has arisen from events other than those which would signify a deterioration in the Lessee's financial position or an inability to meet its financial obligations under such Debt; or

(b) a creditor takes possession or an administrative or other receiver is appointed of the whole or a substantial part of the assets of the Lessee and such taking of possession or appointment is not released, discharged or canceled within 60 days; or

(c) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets of the Lessee and is not discharged,

dismissed or stayed within 60 days thereof; or

(d) the Lessee stops payment generally or is unable to pay its Debts generally as and when they fall due or (otherwise than for the purposes of a solvent reconstruction, amalgamation or merger the terms of which have previously been approved in writing by the Port Authority) or ceases or threatens to cease to carry on all or substantially all of its business; or

(e) the Lessee makes an assignment for the benefit or creditors generally or admits in writing its inability to pay its Debts generally as they become due or takes corporate action in furtherance of any such action.

III. Modification Requested by Lessee:

The Lessee may deliver a notice to the Port Authority requesting that one or more of the Triggering Events contained in this Exhibit 52.1 be modified. The Lessee shall include as part of such notice the text of the modification. If the Executive Director of the Port Authority, with the approval of the Chairman of the Committee on Finance of the Board of the Commissioners of the Port Authority, shall countersign such modification, or an amended version of the modification acceptable to the Lessee, such notice, duly signed by both the Lessee and the Executive Director of the Port Authority, shall be a valid and binding modification of the Triggering Events.

For the Port Authority

Initialled:

For the Lessee

SCHEDULE E

AFFIRMATIVE ACTION-EQUAL OPPORTUNITY---MINORITY BUSINESS ENTERPRISES ---WOMEN-OWNED BUSINESS ENTERPRISES REQUIREMENTS

Part I. Affirmative Action Guidelines - Equal Employment Opportunity

I. As a matter of policy the Port Authority hereby requires the Lessee and the Lessee shall require the Contractor, as hereinafter defined, to comply with the provisions set forth hereinafter in this Schedule E and in Section 2B (18) of Port Authority the Lease to which this Schedule is attached. The provisions set forth in this Part I are similar to the conditions for bidding on federal government contract adopted by the Office of Federal Contract Compliance and effective May 8, 1978.

The Lessee as well as each bidder, contractor and subcontractor of the Lessee and each subcontractor of a contractor at any tier of construction (herein collectively referred to as the "Contractor") must fully comply with the following conditions set forth herein as to each construction trade to be used on the construction work or any portion thereof (said conditions being herein called "Bid Conditions"). The Lessee hereby commits itself to the goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions. The Lessee shall likewise require the Contractor to commit itself to the said goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions by submitting a properly signed bid.

II. The Lessee and the Contractor shall each appoint an executive of its company to assume the responsibility for the implementation of the requirements, terms and conditions of the following Bid Conditions:

(a) The goals for minority and female participation expressed in percentage terms for the Contractor's aggregate workforce in each trade on all construction work are as follows:

(1) Minority participation

Minority, except laborers	30%
Minority, laborers	40%

(2) Female participation

Female, except laborers	6.9%
Female, laborers	6.9%

These goals are applicable to all the Contractor's construction work performed in and for the Premises.

The Contractor's specific affirmative action obligations required herein of minority and female employment and training must be substantially uniform throughout the length of the contract, and in each trade, and the Contractor shall make good faith efforts to employ minorities and women evenly on each of its projects. The transfer of minority or female employees or trainees from contractor to contractor or from project to project for the sole purpose of meeting the Contractor's goals shall be a violation of the contract. Compliance with the goals will be measured against the total work hours performed.

(b) The Contractor shall provide written notification to the Lessee and the Lessee shall provide written notification to the Port Authority's Aviation Department and Office of Business and Job Opportunity within 10 working days of award of any construction subcontract in excess of $10,000 at any tier for construction work. The notification shall list the name, address and telephone number of the subcontractor; employer identification number; estimated starting and completion dates of the subcontract; and the geographical area in which the subcontract is to be performed.

(c) As used in these specifications:

(1) "Employer identification number" means the Federal Social Security number used on the Employer's Quarterly Federal Tax Return, U.S. Treasury Department Form 941:

(2) "Minority" includes:

(i) Black (all persons having origins in any of the Black African racial groups not of Hispanic origin);

(ii) Hispanic (all persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American culture or origin, regardless of race);

(iii) Asian and Pacific Islander (all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and

(iv) American Indian or Alaskan Native (all persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification).

(d) Whenever the Contractor, or any subcontractor at any tier, subcontracts a portion of the construction work involving any construction trade, it shall physically include in each subcontract in excess of $10,000 those provisions which include the applicable goals for minority and female participation.

(e) The Contractor shall implement the specific affirmative action standards provided in subparagraphs (1) through (16) of Paragraph (h) hereof. The goals set forth above are expressed as percentages of the total hours of employment and training of minority and female utilization the Contractor should reasonably be able to achieve in each construction trade in which it has employees in the Premises. The Contractor is expected to make substantially uniform progress toward its goals in each craft during the period specified.

(f) Neither the provisions of any collective bargaining agreement, nor the failure by a union with whom the Contractor has a collective bargaining agreement, to refer either minorities or women shall excuse the Contractor's obligations hereunder.

(g) In order for the nonworking training hours of apprentices and trainees to be counted in meeting the goals, such apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training subject to the availability of employment opportunities. Trainees must be trained pursuant to training programs approved by the U.S. Department of Labor.

(h) The Contractor shall take specific affirmative actions to ensure equal employment opportunity ("EEO").

The evaluation of the Contractor's compliance with these provisions shall be based upon its good faith efforts to achieve maximum results from its actions. The Contractor shall document these efforts fully, and shall implement affirmative action steps at least as extensive as the following:

(1) Ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which the Contractor's employees are assigned to work. The Contractor, where possible, will assign two or more women to each phase of the construction project. The Contractor, shall specifically ensure that all foremen, superintendents, and other supervisory personnel at the Premises are aware of and carry out the Contractor's obligation to maintain such a working environment, with specific attention to minority or female individuals working at the Premises.

(2) Establish and maintain a current list of minority and female recruitment sources, provide written notification to minority and female recruitment sources and to community organizations when the Contractor or its unions have employment opportunities available, and maintain a record of the organizations' responses.

(3) Maintain a current file of the names, addresses and telephone numbers of each minority and female off-the-street applicant and minority or female referral from a union, a recruitment source or community organization and of what action was taken with respect to each such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by the union or, if referred, not employed by the Contractor, this shall be documented in the file with the reason therefor, along with whatever additional actions the Contractor may have taken.

(4) Provide immediate written notification to the Lessee when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority person or woman sent by the Contractor, or when the Contractor has other information that the union referral process has impeded the Contractor's efforts to meet its obligations.

(5) Develop on-the-job training opportunities and/or participate in training programs for the area which expressly include minorities and women, including upgrading programs and apprenticeship and training programs relevant to the Contractor's employment needs, especially those programs funded or approved by the Department of Labor. The Contractor shall provide notice of these programs to the sources compiled under subparagraph (2) above.

(6) Disseminate the Contractor's EEO Policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the Contractor's newspaper, annual report, etc.; by specific review of the policy with all management personnel and with all minority and female employees at least once a year; and by posting the Contractor's EEO policy on bulletin boards accessible to all employees at each location where construction work is performed.

(7) Review, at least every six months the Contractor's EEO policy and affirmative action obligations hereunder with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decision including specific review of these items with on-Premises supervisory personnel such as Superintendents, General Foremen, etc., prior to the initiation of construction work at the Premises. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed, and disposition of the subject matter.

(8) Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other Contractors and Subcontractors with whom the Contractor does or anticipates doing business.

(9) Direct its recruitment efforts, both oral and written, to minority, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations and to State-certified minority referral agencies serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures, and tests to be used in the selection process.

(10) Encourage present minority and female employees to recruit other minority persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the Premises and in areas of a Contractor's workforce.

(11) Tests and other selecting requirements shall comply with 41 CFR Part 60-3.

(12) Conduct, at least every six months, an inventory and evaluation of all minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training, etc., such opportunities.

(13) Ensure that seniority practices, job classifications, work assignments and other personnel practices, do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations hereunder are being carried out.

(14) Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be provided to assure privacy between the sexes.

(15) Document and maintain a record of all solicitations of offers for subcontracts from minority and female construction contractors and suppliers, including circulation of solicitations to minority and female contractor associations and other business associations.

(16) Conduct a review, at least every six months, of all supervisors' adherence to and performance under the Contractors' EEO policies and affirmative action obligations.

(i) Contractors are encouraged to participate in voluntary associations which assist in fulfilling one or more of their affirmative action obligations (subparagraphs (1)-(16) of Paragraph (h) above). The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under Paragraph (h) hereof provided that: the

Contractor actively participates in the group, makes good faith efforts to assure that the group has a positive impact on the employment of minorities and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female workforce participation, makes good faith efforts to meet its individual goals and timetables, and can provide access to documentation which demonstrates the effectiveness of actions taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's and failure of such a group to fulfill an obligation shall not be a defense for the Contractor's non-compliance.

(j) A single goal for minorities and a separate single goal for women have been established. The Contractor, however, is required to provide equal opportunity and to take affirmative action for all minority groups, both male and female, and all women, both minority and non-minority. Consequently, the Contractor may be in violation hereof if a particular group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goals for women generally, the Contractor may be in violation hereof if a specific minority group of women is underutilized).

(k) The Contractor shall not use the goals and timetables or affirmative action standards to discriminate against any person because of race, color, religion, sex or national origin.

(l) The Contractor shall not enter into any subcontract with any person or firm debarred from Government contracts pursuant to Executive Order 11246.

(m) The Contractor shall carry out such sanctions and penalties for violation of this clause including suspension, termination and cancellation of existing subcontracts as may be imposed or ordered by the Lessee. Any Contractor who fails to carry out such sanctions and penalties shall be in violation hereof.

(n) The Contractor, in fulfilling its obligations hereunder shall implement specific affirmative actions steps, at least as extensive as those standards prescribed in paragraph (h) hereof so as to achieve maximum results from its efforts to ensure equal employment opportunity. If the Contractor fails to comply with the requirements of these provisions, the Lessee shall proceed accordingly.

(o) The Contractor shall designate a responsible official to monitor all employment related activity to ensure that the company EEO policy is being carried out, to submit reports relating to the provisions hereof as may be required and to keep records. Records shall at least include for each employee the name, address, telephone numbers, construction trade, union affiliation if any, employee identification number when assigned, social security number, race, sex, status (e.g. mechanical apprentice, trainee, helper, or laborer), dates of changes in status, hours worked per week in the indicated trade, rate of pay, and location at which the work is performed. Records shall be maintained in an easily understandable and retrievable form; however, to the degree that existing records satisfy this requirement, contractors shall not be required to maintain separate records.

(p) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents (e.g., those under the Public Works Employment Act of 1977 and the Community Development Block Grant Program).

(q) Without limiting any other obligation, term or provision under the Lease, the Contractor shall cooperate with all federal, state or local agencies established for the purpose of implementing affirmative action compliance programs and shall comply with all procedures and guidelines established or which may be established by the Port Authority.

PART II. MINORITY BUSINESS ENTERPRISES AND WOMEN-OWNED BUSINESS ENTERPRISES

As a matter of policy the Port Authority requires the Lessee and the Lessee shall itself and shall require the general contractor or other construction supervisor and each of the Lessee's contractors to use every good faith effort to provide for meaningful participation by Minority Business Enterprises (MBEs) and Women-owned Business Enterprises (WBEs) in the construction work pursuant to the provisions of this Schedule E. For purposes hereof, "Minority Business Enterprise" "(MBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by citizens or permanent resident aliens who are minorities and such ownership is real, substantial and continuing. For the purposes hereof, "Women-owned Business Enterprise" "(WBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by women and such ownership is real, substantial and continuing. A minority shall be as defined in paragraph II(c) of Part I of this Schedule E. "Meaningful participation" shall mean that at least seventeen percent (17%) of the total dollar value of the construction contracts (including subcontracts) covering the construction work are for the participation of Minority Business Enterprises and Women-owned Business Enterprises, of which at least twelve percent (12%) are for the participation of Minority Business Enterprises. Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(a) Dividing the work to be subcontracted into smaller portions where feasible.

(b) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBEs, including circulation of solicitations to minority and female contractor associations. The Contractor shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation in the work, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(c) Making plans and specifications for prospective construction work available to MBEs and WBEs in sufficient time for review.

(d) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(e) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that the Lessee and Contractor will meet their obligations hereunder.

(f) Insuring that provision is made to provide progress payments to MBEs and WBEs on a timely basis, preferably bi-weekly, and that retainage it paid to MBEs and WBEs when they have completed their work.

(g) Not requiring bonds from and/or providing bonds and insurance for MBEs and WBEs, where appropriate.

(h) Requiring each contractor to submit to the Lessee with each payment request evidence that all MBE and WBE Contractors have been paid in accordance with their contract.

Certification of MBEs and WBEs hereunder shall be made by the Office of Business and Job Opportunity of the Port Authority. If the Contractor wishes to utilize a firm not already certified by the Port Authority, it shall submit to the Port Authority a written request for a determination that the proposed firm is eligible for certification. This shall be done by completing and forwarding such form as may be then required by the Port Authority. All such requests shall be in writing addressed to the Office of Business and Job Opportunity, the Port Authority of New York and New Jersey, One World Trade Center, 63 East, New York, New York 10048 or such other address as the Port Authority may specify by notice to the Lessee. Certification shall be effective only if made in writing the Director in charge of the Office of Business and Job Opportunity of the Port Authority. The determination of the Port Authority shall be final and binding.

The Port Authority has compiled a list of the firms that the Port Authority has determined satisfy the criteria for MBE and WBE certification. This list may be supplemented and revised from time to time by the Port Authority. Such list shall be made available to the Contractor upon request. The Port Authority makes no representation as the financial responsibility of such firms, their technical competence to perform, or any other performance-related qualifications.

Only MBE's and WBE's certified by the Port Authority will count toward the MBE and WBE goals.

Please note that only sixty percent (60%) of expenditures to MBE or WBE suppliers will count towards meeting the MBE and WBE goals. However, expenditures to MBE or WBE manufacturer's (i.e. suppliers that produce goods from raw materials or substantially alter them

before resale) are counted dollar for dollar.

For the Port Authority

Initialled:

For the Lessee

SCHEDULE F

LOCAL BUSINESS ENTERPRISES COMMITMENT

As a matter of policy the Port Authority hereby requires the Lessee and the Lessee shall require any Contractor utilized by the Lessee to perform construction work on the Premises to comply with the provisions set forth hereinafter in this Schedule F.

(1) The Lessee and each Contractor shall use every good faith effort to maximize the participation of Local Business Enterprises (LBEs) in all construction work on the Premises, including without limitation the Section 2B Work. In order to assure familiarity with the services and materials provided by LBEs, the Contractor shall attend such meetings as may be called by the General Manager of the Airport on LBEs and shall contact the Queens Air Services Development Office (ASDO), located at John F. Kennedy International Airport, Bldg. 80, First Floor, South Service Court, Jamaica, NY 11430 to obtain LBE Vendor Profiles and access ASDO's on-line vendor retrieval system (BASIS). The Port Authority has not checked the references, capabilities or financial background of the LBEs registered with the ASDO, but is referring the Contractor to the ASDO and BASIS solely for the purpose of advising Contractors of LBDs who may be interested in providing services and/or materials to the Contractor.

(2) Good faith efforts to include participation by LBEs in construction work shall include at least the following:

(i) Dividing the work to be subcontracted and services and materials to be procured into small portions, where feasible.

(ii) Soliciting bids on portions of the work to be subcontracted and services and materials to be procured from LBE's registered with ASDO and such other LBEs as the Contractor deems appropriate.

(3) The Port Authority is committed to making employment opportunities available to local residents and expects that the Contractor will utilized LBEs.

(4) It is specifically understood and agreed that the requirements set forth herein for the participation of LBEs shall not alter, limit, diminish or modify any of the obligations under

this Lease including, without limitation, the obligation to put into effect the affirmative action program and the MBE and WBE programs in accordance with the provisions set forth above in Schedule E hereof.

For the Port Authority

Initialled:

For the Lessee

EXEMPTION (4) – DRAWINGS OF NON-PUBLIC AREAS

RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

This Recognition, Non-Disturbance and Attornment Agreement (this "Agreement"), dated as of the 31st day of July, 2002 between THE CITY OF NEW YORK, a municipal corporation of the State of New York, acting by and through its Department of Business Services, having its offices at 110 William Street, New York, New York 10038 (the "City"), and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware, having an address at MD 5317, 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 ("American").

WITNESSETH:

WHEREAS, the City has leased John F. Kennedy International Airport located in the County of Queens, State of New York (the "Airport" or "JFK") to The Port Authority of New York and New Jersey (the "Port Authority") pursuant to that certain Agreement with respect to Municipal Air Terminals, dated April 17, 1947, and thereafter amended and supplemented from time to time (said Agreement, as so amended and supplemented, or as amended or supplemented or replaced by an Applicable Airport Lease Extension Agreement (as defined in the American Lease (hereinafter defined)), being referred to herein as the "Port Authority Lease") (the City, or its successor-in-interest, including, without limitation, any tenant under a lease for the Airport, into which the City hereafter enters (but in any event excluding the Port Authority, its affiliates and their respective successors-in-interest) is hereinafter referred to as "Fee Owner");

WHEREAS, American is the lessee and operator of the air passenger terminal facility located on that certain site more fully described in the American Lease (as hereinafter defined) at JFK;

WHEREAS, American is engaged in the development, construction and operation of air passenger terminal facilities and wishes to substantially redevelop, renovate, expand and improve the existing air passenger terminal on the American Site (as hereinafter defined) and to construct additional improvements on the American Site and the Airport, all of which are more fully described in the American Lease (said redevelopment, renovation, expansion, improvement, construction and operation being the "Project");

WHEREAS, in furtherance of the foregoing, (a) American has entered into a certain agreement of lease with the Port Authority dated as of August 1, 1976, bearing Port Authority Lease No. AYB-085 (the "Lease AYB-085"), pursuant to which a certain portion of the American Site was demised to American (the "Lease AYB-085 Premises"), as more particularly described in Lease AYB-085 and shown on Exhibit 1.1 of the Amended and Restated Lease AYB-085R (as hereinafter defined); and (b) American has entered into a certain Amended and Restated Agreement of Lease with the Port Authority dated as of December 22, 2000, bearing Port Authority Lease No. AYB-085R (the "Amended and Restated Lease AYB-085R"), pursuant to which (i) the Port Authority continued to let the Lease AYB-085 Premises to American, less certain portions of the Lease AYB-085 Premises more particularly shown in crosshatching on Exhibit 1.1 to the Amended and Restated Lease AYB-085R (the "Surrendered Premises"), and (ii) the Port Authority demised to American certain additional land at the Airport more particularly shown in stippled-diagonal hatching on said Exhibit 1.1 (the "Additional Premises"), together with, inter alia, all improvements, buildings and structures which were erected thereon by American under Lease AYB-085 and certain Former Agreements (as defined in the Amended and Restated Lease AYB-085R) (the Lease AYB-085, as amended, supplemented and restated by the Amended and Restated Lease AYB-085R, and as further

amended and supplemented by a certain First Supplemental Agreement between the Port Authority and American dated as of July 31, 2002, being the "American Lease"; and the Lease (the "085 Premises (less the Surrendered Premises) and the Additional Premises constituting and comprising the "American Site"), such American Site being more particularly shown on the two maps which are each entitled, "Terminals 8 and 9 Lease Line Modification (American Airline)", each dated September 27, 1999, and each prepared by the Aviation Department and Project Management and Technical Services Division of the Port Authority (copies of which maps are attached hereto, collectively, as Schedule A);

WHEREAS, in furtherance of the Project, American has leased certain improvements on the American Site to the IDA (as hereinafter defined) pursuant to and as more fully provided in a Company Sublease Agreement between the IDA and American of even date herewith;

WHEREAS, the American Lease expires (the "Expiration Date") by its terms on December 30, 2015, but is subject to, provided there is an Airport Lease Extension Agreement (as defined in the American Lease), extension to a date which is the first to occur of (i) the day immediately prior to the date of expiration of the Applicable Airport Lease Extension Agreement and (ii) December 21, 2036 and (iii) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date (as defined in the American Lease);

WHEREAS, the American Lease is subject to earlier termination in the event that, inter alia, the Port Authority Lease is terminated prior to its stated expiration date;

WHEREAS, American is financing the development and construction of the Project in part through the issuance by the New York City Industrial Development Agency (the "IDA") of its Special Facility Revenue Bonds in a series of yet undetermined tranches, which

tranches in an aggregate principal amount shall not exceed two billion three hundred million dollars ($2,300,000,000) and the last stated maturity date of any such tranche shall not be after December 1, 2036 (said IDA Special Facility Revenue Bonds being hereinafter collectively referred to as the "Bonds"). All of the Bonds are being issued under and secured by a Master Indenture of Trust (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA and The Bank of New York, as Trustee (the "Trustee") (the "Indenture"), and the repayment of which is provided for by, inter alia, an IDA Lease Agreement (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA, as lessor, and American, as lessee;

WHEREAS, the City and American have entered into a certain Agreement Towards Entering Into A Lease (the "ATEIL") pursuant to which they have agreed in the circumstances and on the terms set forth therein to act in good faith to negotiate a New American Lease as defined therein; and

WHEREAS, American wishes to protect its interest in the American Site in the event of the termination (but not expiration) of the Port Authority Lease prior to the stated expiration date of the Port Authority Lease (the "Fixed Expiration Date") (it being understood that as of the date hereof, said Fixed Expiration Date is December 31, 2015), and prior to the Expiration Date.

NOW THEREFORE, in consideration of the mutual covenants contained below, the parties covenant and agree as follows:

1. Subject to the other provisions of this Agreement, in the event of a termination (but not expiration) of the Port Authority Lease prior to the Fixed Expiration Date thereof and prior to the Expiration Date, the American Lease shall thereafter continue in full

force and effect as a direct lease between American and Fee Owner, upon all the terms and conditions of the American Lease, and the American Lease shall not be deemed terminated for any purpose other than as regards the Port Authority, or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority (other than Fee Owner) (provided that at the time of such termination of the Port Authority Lease, unless waived by the City in its sole and absolute discretion, no default exists under the American Lease on the part of American and no event exists which would permit the Port Authority, as landlord thereunder, to terminate the American Lease or to exercise any dispossess remedy provided for therein or at law or in equity and provided, further, that American has possession of the American Site as tenant under the American Lease and no event has occurred which would permit the commencement of the exercise of the Reletting Rights (as defined in the American Lease) on notice or otherwise and no Approved Successor Lessee (as defined in the American Lease) has been appointed and no Triggering Event (as defined in the American Lease) has occurred), and Fee Owner agrees in which case to recognize the American Lease and the rights of American thereunder (including without limitation its rights to mortgage its leasehold as provided therein to secure repayment, or the guarantee of repayment, of the Bonds (a mortgage thus granted for such purpose being referred to herein as a "Mortgage")) and not to disturb the possession of American in and to the American Site, all in accordance with the terms and conditions of the American Lease as limited by this Agreement. Fee Owner agrees not to join American as a party defendant in any action or proceeding to terminate the Port Authority Lease or to recover possession of the American Site unless such joinder shall be required under applicable law, in which case such joinder shall not seek to disturb American's rights under this Agreement or American's possession of the American Site pursuant to this Agreement. Such recognition by Fee Owner shall be effective

effective and self-operative as of the date of termination of the Port Authority Lease without the execution of any further instrument. It is understood and agreed that for purposes of this Agreement, the Port Authority Lease shall not be deemed to have terminated, and no recognition or attornment shall take place, by reason of any termination of the Port Authority Lease simultaneously with a new lease, or agreement conferring a new lease, whereby the Port Authority continues as the lessee of the Airport without interruption or in the event of a Fee Transfer Date (as defined in the American Lease).

2. In the event of a termination of the Port Authority Lease as described in Section 1 hereof, then American shall attorn to Fee Owner and recognize Fee Owner as its landlord and Fee Owner shall accept such attornment, and the American Lease shall continue as a direct lease between Fee Owner and American in accordance with its terms. Such attornment shall provide Fee Owner with all rights of the Port Authority under the American Lease, and American shall be obligated to Fee Owner to perform all of the obligations of American thereunder. In addition, American shall provide or cause to be provided to Fee Owner all the rights and protections afforded the Port Authority (when it was lessor under the American Lease) under the Leasehold Mortgage (as defined the American Lease) and under the Consent Agreement (as defined in the American Lease) (collectively, the "Mortgage and Consent Protections"). Such attornment by American and the Mortgage and Consent Protections shall be effective and self-operative as of the date of the termination of the Port Authority Lease as described in Section 1 hereof without the execution of any further instrument.

3. The other provisions of this Agreement notwithstanding, upon recognition and attornment by Fee Owner and American, respectively, as provided herein or otherwise, neither Fee Owner, nor anyone claiming by, through, or under Fee Owner shall be:

(i) liable for any act or omission of any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease except for acts or omissions which are then continuing and are subject to being cured by Fee Owner; or

(ii) subject to any counterclaims, offsets or defenses which American may have against the prior landlord (including, without limitation, the then defaulting landlord) under the American Lease; or

(iii) bound by any payment of rent or other charges payable under the American Lease which American might have paid for more than one month to any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease or to any other person; or

(iv) bound by any obligation to make any payment to American under the American Lease except with respect to (a) any amount payable from a fund, reserve, deposit, credit, receipt or other amount if actually held or received by Fee Owner for such purpose, or (b) any obligation which arises after attornment; or

(v) bound by any modification or amendment of the American Lease which reduces the rent payable under the American Lease or any other charges payable under the American Lease or shortens or lengthens the term thereof, or otherwise adversely affects the rights of the landlord thereunder or amends the Reletting Rights or similar rights afforded to any mortgagee, unless Fee Owner shall

have theretofore received a copy of the same and given its written consent thereto; or

(vi) liable for any underground storage tanks, asbestos or other hazardous or toxic substance present at the American Site; or

(vii) in the event of any condemnation, obligated to repair or restore the American Site or any part thereof; or

(viii) subject to any right of cancellation or termination which requires payment by the landlord thereunder of a charge, fee or penalty for such cancellation or termination, except if Fee Owner voluntarily exercises such right of cancellation or termination other than as a result of a casualty or condemnation; or

(ix) obligated to recognize, permit or be subject to, (A) any mortgage, lien, claim, encumbrance or security interest which is not a Qualified Mortgage (as hereinafter defined) or any rights or purported rights thereunder or (B) any Reletting Rights or similar type of rights other than by a Permitted Mortgagee (as hereinafter defined) in connection with a Qualified Mortgage held by such Permitted Mortgagee; or

(x) obligated to recognize any rights of American, or anyone claiming by, through or under American, (including without limitation, any mortgagee) after the first to occur of (A) the Fixed Expiration Date of the Port Authority Lease and (B) a Fee Transfer Date (as

defined in the American Lease) and (C) the Expiration Date, subject to earlier termination.

Upon the request of either American or Fee Owner, American or Fee Owner, as the case may be, shall promptly execute and deliver to the other an agreement or other instrument in recordable form which may be necessary or appropriate to evidence the recognition and attornment under this Agreement. In addition, upon the request of Fee Owner, American shall, and shall cause the IDA, AMR Corporation and The Bank of New York to, execute and deliver an agreement in recordable form necessary or appropriate to evidence the Mortgage and Consent Protections.

4. Notwithstanding anything set forth herein to the contrary, Fee Owner, if Fee Owner is the City or any of its agencies or instrumentalities, shall not be required to recognize American, or its otherwise permitted successor-in-interest, if any, as the direct tenant of Fee Owner under the American Lease if American or such otherwise permitted successor-in-interest, as the case may be, is a "Prohibited Person", as described in Exhibit A attached hereto.

5. It is hereby agreed, recognized and understood that in entering into this Agreement, Fee Owner is not in any manner whatsoever approving, recognizing or consenting or acquiescing to, any use, right to grant any use, occupancy, possession, right, claim, interest, tenancy or estate in or with respect to the Airport, or any portion thereof, including, without limitation, the American Site, by the Port Authority (or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority other than American) or which the Port Authority (or any such person or entity) may assert, with respect to any period of time beyond the termination of the Port Authority Lease, notwithstanding any term or provision of the American Lease to the contrary or otherwise.

6. Notwithstanding anything set forth herein to the contrary, Fee Owner shall have no liability for damages or restitution to American or any person or entity succeeding to the interests of American under the American Lease if Fee Owner is unable to deliver possession of the American Site, or is unable to perform its obligations under the American Lease, because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use or possess or refuses to surrender or vacate the Airport or any portion thereof, including without limitation the American Site, after the termination of the Port Authority Lease. The foregoing does not constitute Fee Owner's agreement that the Port Authority (or any such person or entity) has permission to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continue to use, or occupy or possess the Airport or any portion thereof, including, without limitation, the American Site, after the termination of the Port Authority Lease. American shall be obligated to pay to Fee Owner all rental and other charges and all impositions to the appropriate regulatory authority under the American Lease, notwithstanding any failure by Fee Owner to give possession of the American Site to American or to perform its obligations under the American Lease, and the obligations of American to pay any and all such rental and other charges to Fee Owner and all such impositions to the appropriate regulatory authority under the American Lease shall be independent of and not conditional upon Fee Owner's delivery of possession of the American Site to American or Fee Owner's performance of its obligations under the American Lease, if Fee Owner is unable to deliver such possession or perform such obligations because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues

use, occupy or possess the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use, possess or occupy or refuses to surrender or vacate the Airport or any portion thereof, including without limitation, the American Site, after the termination of the Port Authority Lease.

7. This Agreement shall automatically terminate if Fee Owner has transferred fee title and ownership of the Airport, including the American Site, to the Port Authority, or any affiliate thereof, directly or indirectly, through one or more entities. This Agreement shall also automatically terminate upon the commencement of the New American Lease (as defined and provided for in the ATEIL). Additionally, this Agreement shall terminate at Fee Owner's option, upon written notice to American, upon any termination of the ATEIL for any other reason whatsoever, other than solely because of the entry into a New American Lease or an Extended Port Authority Lease (as defined in the ATEIL) with an expiration date which is on or after the Maximum American Lease Expiration Date (as defined in the ATEIL). Further, in the event this Agreement survives the termination of the ATEIL due solely to such entry into a New American Lease or Extended Port Authority Lease with an expiration date which is on or after the Maximum American Lease Expiration Date, this Agreement shall nevertheless terminate at the City's option upon notice to American if an event occurs thereafter which would have permitted termination of the ATEIL, or this Agreement, if the ATEIL were still in effect, or an event occurs permitting termination (or constituting a failure of a condition to the effectiveness) of the New American Lease. Upon any expiration or termination of this Agreement, all rights and obligations hereunder, shall terminate, and the City's right to dispose, convey, lease, assign or transfer the American Site or enter into any agreement to do so shall not

restricted or limited by this Agreement or any agreement or instrument entered into pursuant to or to evidence the terms of this Agreement.

8. This Agreement shall inure to the benefit of Fee Owner, American and their respective permitted successors-in-interest and their permitted successors and assigns and shall be binding upon the successor-in-interest of the parties hereto and their permitted successors and assigns. Except as otherwise expressly provided in this Section, this Agreement shall not be assigned, transferred, pledged or otherwise encumbered by American without the written consent of the City, which consent shall be given or withheld in the City's sole and absolute discretion, provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of American which becomes tenant under the American Lease is or is to be a Scheduled Aircraft Operator (as hereinafter defined), and with or into which American has merged or consolidated, or which has succeeded to the assets of American or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft (as defined in the American Lease), and provided, further, that such succeeding entity or purchaser (whether it be American or any other entity or purchaser) satisfies the Financial Tests in Section 19 of the American Lease, and/or provides the Consent Security Deposit as required, and executes and delivers to the City an instrument in a form satisfactory to the City assuming the obligations of American as if it was the original party to this Agreement. The term "Scheduled Aircraft Operator" shall have the meaning ascribed to it in the American Lease, except that it shall be an additional requirement that such operator shall not be a Prohibited Person.

9. As used in this Agreement, the term "Qualified Mortgage" means a Mortgage which is an IDA Mortgage (as defined in the ATEIL) and (i) which by its terms does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of Fee Owner in the American Site or any property located therein or thereon, (ii) which includes a provision stating that "This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument this provision shall prevail", (iii) is held by a Permitted Mortgagee, and (iv) which is not subject to any rights of the Port Authority, and its successors and assigns (other than Fee Owner) and under or with respect to which the Port Authority, and its successors and assigns (other than Fee Owner), do not have any rights. A Permitted Mortgagee is defined as The Bank of New York or another trustee who is not a Prohibited Person (as described in Exhibit A hereto) who has been appointed pursuant to and in accordance with the Indenture and to whom the prior Permitted Mortgagee has assigned or transferred the Qualified Mortgage.

10. Nothing contained in this Agreement shall be deemed to operate as consent to any breach of the Port Authority Lease or any waiver of the City's rights and remedies pursuant to the Port Authority Lease.

11. No member, director, official, officer, agent or employee of any party hereto shall be charged personally or held contractually liable by or to the other party hereto under any term or provision of this Agreement, or of any other agreement, document or instrument executed in connection therewith, or of any supplement, modification, or amendment to this Agreement, or to such other agreement, document or instrument, or because of any breach or alleged breach of this Agreement, or such other agreement, document or instrument, or

because of its or their execution or attempted execution. This Section 11 shall survive the expiration or termination of this Agreement.

12. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original.

13. This Agreement shall be recorded in full by or through, or on behalf of, American, in the Register's Office of Queens County at the sole cost and expense of American. Without limiting the foregoing, American shall pay any and all transfer and document taxes and charges in connection with the execution of this Agreement. Fee Owner agrees to join in the execution of such forms as the be necessary in order to record this Agreement. Upon the expiration or earlier termination of this Agreement for any reason whatsoever, American covenants, upon demand by the City, to execute in recordable form an instrument (the "Release") prepared by the City in which American represents, stipulates and agrees that this Agreement is terminated and does not encumber or burden the American Site or any other premises affected by this Agreement. The City at its option may record the Release against the American Site or any other affected premises. American further covenants to execute and deliver such other instruments as may be necessary in order to record the Release against the American Site or such premises. If American fails to execute and deliver to the City such instrument in recordable form within ten (10) days after being furnished with same by the City, the City may execute same on behalf of American, and American hereby irrevocably and conclusively appoints the City as its attorney in fact to execute the Release, and such other instruments as may be necessary to record the Release, on behalf of American. American further agrees to provide such further assistance as may be necessary or convenient in order to effectuate the purposes of this Section 13. This Section 13 shall survive the expiration or termination of this Agreement.

14. It is expressly understood and agreed that the City (i) may transfer, sell, lease, assign, grant, dispose of or license any interest in, and/or make alternative arrangements for the operation and/or management of, all or any portion of JFK, including, without limitation, that portion of JFK which includes the American Site, provided, however, that if this Agreement has not terminated such transferee, vendee, lessee, assignee, grantee, licensee, manager or operator shall take its interest subject to this Agreement for the period of this Agreement, and (ii) may assign or delegate to another person or entity succeeding to the rights or interests of the City with respect to the American Site (a "Successor Entity"), without recourse, all or any of the rights and obligations of the City under this Agreement, provided, however, that if this Agreement has not terminated such Successor Entity shall take its interest subject to this Agreement for the period of this Agreement. Nothing contained in this Agreement shall be construed to limit the City's right to effect such transfer, sale, lease, assignment, grant, disposition or license of any interest in and/or alternative arrangement with regard to JFK, and American agrees to recognize the rights assigned and/or to accept performance of the obligations delegated by the City to any such Successor Entity. Furthermore, American recognizes that the City is under no obligation to continue to operate JFK, or cause JFK to be operated, as an airport.

15. Whenever in this Agreement it is provided herein that notice, demand, request, consent, approval or other communication shall or may be given to, or served upon, either of the parties by the other, or whenever either of the parties desires to give or serve upon the other any notice, demand, request, consent, approval or other communication with respect hereto or to the American Site, each such notice, demand, request, consent, approval or other communication shall be in writing and shall be effective for any purpose only if given or served as follows:

(i) If to American, by hand with proof of delivery or by mailing the same to American by express or certified mail, postage prepaid, return receipt requested, addressed to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5317
Forth Worth, Texas 76155
Attention: Vice-President, Corporate Real Estate

with a copy to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5618
Fort Worth, Texas 76155
Attention: General Counsel

or to such other address as American may from time to time designate by notice given to the City by express or certified mail, return receipt requested.

(ii) If to City (or Fee Owner), by hand with proof of delivery or by mailing the same to City by express or certified mail, postage prepaid, return receipt requested, one addressed to:

The City of New York
City Hall
New York, New York 10007
Attention: Deputy Mayor for Economic Development
and Rebuilding

and one to:

The City of New York Department of Business Services
110 William Street, Third Floor
New York, New York 10038
Attention: Commissioner

and one to:

New York City Economic Development Corporation
110 William Street
New York, New York 10038
Attention: General Counsel

with a copy to:

The New York City Law Department
100 Church Street
New York, New York 10007
Attention: Chief, Economic Development Division

or to such other address(es) and attorneys as City (or Fee Owner), may from time to time designate by notice given to American by express or certified mail, return receipt requested.

Every notice, demand, request, consent, approval or other communication hereunder shall be deemed to have been given or served three (3) days after the time that the same shall have been actually deposited in the United States mails, postage prepaid, as aforesaid, except that notice by express or certified mail, return receipt requested, shall be deemed effective on the date such receipt is dated by the Post Office or express mail carrier, as the case may be, and notice by hand shall be effective upon delivery, as evidenced by a signed receipt.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

APPROVED AS TO FORM:

By: _____
Acting Corporation Counsel

THE CITY OF NEW YORK

By: _____
Name: Robert Walsh
Title: Commissioner of the Department of Business Services

AMERICAN AIRLINES, INC.

By: Leslie M Benners
Name:
Title: Leslie M. Benners
Managing Director
Corporate Finance & Banking

STATE OF NEW YORK)
:SS.:
COUNTY OF NEW YORK)

On the 30 day of July, in the year two thousand and two, before me, the undersigned, a ~~Notary Public/Commissioner of Deeds~~ *in and for said State/The City of New* York, personally appeared Robert Walsh, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual executed the instrument.

Betty C Woo
Notary Public

BETTY C. WOO
Notary Public, State of New York
No. 4990740
Qualified in Kings County
Commission Expires January 13, 2005

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 31st day of July, in the year two thousand and two, before me, the undersigned, personally appeared Leslie M. Benners, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

EXHIBIT A

"Prohibited Person" shall mean:

(i) Any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the New York City Economic Development Corporation ("EDC"), or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or EDC, unless such default or breach has been waived in writing by the City or EDC, as the case may be.

(ii) Any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

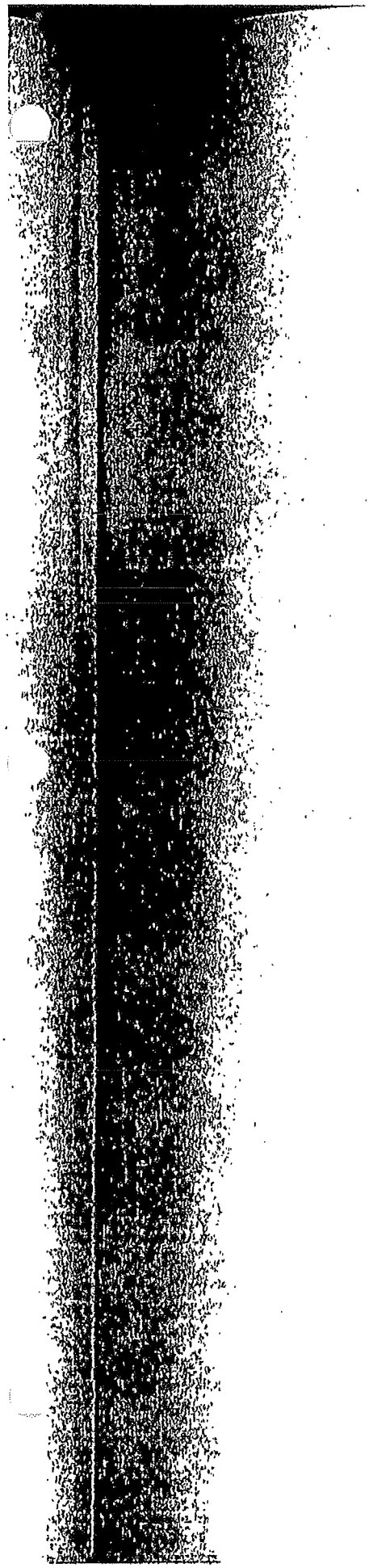
(iii) Any government, or any Person that is directly or indirectly controlled (rather than only regulated) by a government, that is finally determined to be in violation of (including, but not limited to any participant in an international boycott in violation of) the Export Administration Act of 1979, as amended, of any successor statute, or the regulations issued pursuant thereto, or any government that is, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government that is subject to the regulations or controls thereof.

(iv) Any government, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government, the effects or the activities of which are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended.

(v) Any Person that is in default in the payment to the City of any real estate taxes, sewer rents or water charges totaling more than $10,000 (or any Person that directly controls, is controlled by, or is under common control with a Person in such default), unless such default is then being contested in good faith and with due diligence in accordance with the law.

(vi) Any Person (A) that has owned at any time in the preceding three (3) years any property which, while in the ownership of such Person, was acquired by the City by in rem tax foreclosure, other than a property in which the City has released or is in the process of releasing its interest to such Person pursuant to the Administrative Code of the City or (B) that, directly or indirectly, controls, is controlled by, or is under common control with such a Person.

The determination as to whether any Person is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or directly or indirectly controls, is controlled by, or is under common control with a Person that is an organized crime figure or is reputed too have substantial business or other affiliations with an organized crime figure shall be within the sole discretion of the City exercised reasonably and in good faith.



SCHEDULE A

EXEMPTION (4) – DRAWINGS OF NON-PUBLIC AREAS

THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Supplement No. 1
Port Authority Lease No. AYB-085R

FIRST SUPPLEMENTAL AGREEMENT

THIS AGREEMENT (sometimes referred to as "First Supplemental Agreement" or as "Supplement No. 1" of the Lease), made as of July 31, 2002 (the "Supplement One Effective Date") by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter referred to as the "Port Authority") and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware (hereinafter referred to as the "Lessee"),

WITNESSETH, That:

WHEREAS, the Port Authority and the Lessee as of the first day of August, 1976 entered into an agreement of lease bearing Port Authority agreement number AYB-085 covering certain premises at John F. Kennedy International Airport (hereinafter called the "Airport") as therein set forth, which agreement of lease, as amended, supplemented and modified, was further amended, supplemented and modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December, 2000 and bearing Port Authority Agreement No. AYB-085R (said agreement of lease as heretofore amended, supplemented, modified and restated is hereinafter called the "Lease"); and

WHEREAS, the Port Authority and the Lessee desire to (i) permit the Lessee to mortgage its leasehold interest under the Lease, as herein amended, on certain terms and conditions as hereinafter set forth and (ii) otherwise amend and supplement the Lease as provided herein;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree to supplement and amend the Lease, effective as of the Supplement One Effective Date, as follows:

1. Section 3 of the Lease entitled "Term" shall be amended as follows:

(a) Paragraph (a) thereof shall be amended as follows:

(i) Subparagraph (3) thereof shall be amended to read as follows:

"(3) 'Applicable Airport Lease Extension Agreement' shall mean on any specific date, the most recent Airport Lease Extension

Agreement that the City of New York and the Port Authority shall have entered into and which is in full force and effect on such specific date."

(ii) There shall be added a new subparagraph (13) and a new subparagraph (14) thereto to read as follows:

"(13) 'Term' shall have the meaning set forth in paragraph (b) of this Section.

(14) 'Extension Supplement' shall have the meaning set forth in paragraph (d) of this Section."

(b) Paragraph (b) thereof shall be deleted in its entirety and the following new paragraph (b) shall be inserted in lieu thereof to read as follows:

"(b) (i) 'Expiration Date' shall mean December 30, 2015, provided, however, that if there is an Airport Lease Extension Agreement, then the Expiration Date is the date which is the first to occur of (A) the day prior to the date of expiration of the Applicable Airport Lease Extension Agreement and (B) December 21, 2036 and (C) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date; provided further however, that in the event there shall be a Fee Transfer Date, the Expiration Date shall be the Final Lease Extension Date.

(ii) The term of this Lease, as the same shall have commenced under Lease AYB-085 shall, unless sooner terminated, expire on the Expiration Date. On any specific date, the Term shall be the period from August 1, 1976 to the then effective Expiration Date."

(c) Paragraphs (c) and (d) of Section 3 shall be deleted therefrom in their entirety and the following new paragraphs (c) and (d) shall be inserted in lieu thereof to read as follows:

"(c) In the event that all of the Required Conditions shall not have occurred prior to December 30, 2015, then this Lease and the letting hereunder shall in any event automatically terminate without notice to the Lessee on December 30, 2015 notwithstanding any Applicable Airport Lease Extension Agreement or any previously executed Extension Supplement. Such termination shall be and operate as a conditional limitation. In the event any court of competent jurisdiction shall not give full and complete effect to this termination provision and its operation as a conditional limitation, the Lessee and the Port Authority agree, as a condition of this Agreement, and not merely as a covenant, that this Agreement and the stated term of the letting hereunder shall nonetheless, from and after the effective date of termination provided above, be deemed to have expired.

(d) (1) The Port Authority may, at its sole option and discretion, and without any obligation to do so, after the execution of an Applicable Airport Lease Extension Agreement,

tender to the Lessee a proposed supplement to this Lease (each such proposed supplement being hereinafter called a 'Proposed Extension Supplement') for execution by the Lessee, which Proposed Extension Supplement shall include such terms and provisions as the Port Authority may determine appropriate in connection with such Applicable Airport Lease Extension Agreement or otherwise, it being understood that no Proposed Extension Supplement shall change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing, each Proposed Extension Supplement may require the Lessee to pay to the Port Authority an additional rental ("Additional Rental") equal to the Port Authority's increased costs under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy (but the Lessee shall not be obligated to pay the Port Authority more than once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, this Lease, or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from any Applicable Airport Lease Extension Agreement or from any Permitted Tenancy, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(2) (aa) In the event that the Lessee shall not have duly executed any Proposed Extension Supplement tendered to the Lessee by the Port Authority, with an informational copy sent to the Leasehold Mortgagee solely for informational purposes, and the Lessee shall not have delivered such Proposed Extension Supplement to the Port Authority within twenty-five (25) days after the Port Authority has tendered the same to the Lessee, then the Port Authority shall deliver a notice to the Lessee, with an informational copy sent to the Leasehold Mortgagee solely for informational purposes, which notice shall state that from and after the forty-sixth (46th) day after such tender of the Proposed Extension Supplement by the Port Authority to the Lessee (which 46th day is hereinafter called the 'Tender Rejection Date'), this Lease and the letting hereunder shall automatically terminate without notice to the Lessee (or to the Leasehold Mortgagee). From and after the Tender Rejection Date, this Lease and the letting hereunder shall automatically terminate without notice to the Lessee (or to the Leasehold Mortgagee), with such termination to be effective on the date that was the Expiration Date in effect prior to the automatic extension of the term of the letting hereunder by operation of the terms and provisions of paragraph (b) of this Section by virtue of the due execution of the Applicable Airport Lease Extension giving rise to said Proposed Extension Supplement. Such termination shall be and operate as a conditional limitation. In the event any court of competent jurisdiction shall not give full and complete effect to this termination provision and its operation as a conditional limitation, the Lessee and the Port Authority agree, as a condition of this Agreement, and not merely as a covenant, that this Agreement and the stated term of the letting hereunder shall nonetheless, from and after the effective date of termination provided above, be deemed to have expired.

(bb) Upon the due execution by the Port Authority and the Lessee of any Proposed Extension Supplement and delivery thereof by the Port Authority to the Lessee, such Proposed Extension Supplement shall be and become an 'Extension Supplement'. The Additional Rental payable under all Extension Supplements is herein collectively called the 'Extension Rentals'."

(d) The following new subparagraph (iv) shall be inserted immediately after subparagraph (iii) of paragraph (e)(2) thereof to read as follows:

"(iv) Notwithstanding anything to the contrary in subparagraph (ii) above, the Port Authority recognizes that the Lessee and The City of New York intend to enter into (A) an Agreement Towards Entering Into a Lease in the form attached hereto and marked 'Exhibit 3.1' (hereinafter called the 'American-City Agreement'), (B) a lease, which will be entered into pursuant to the American-City Agreement, containing, among other terms and conditions, substantially the terms and conditions set forth in Exhibit A to the American-City Agreement, and (C) a recognition, non-disturbance and attornment agreement substantially in the form attached hereto and marked 'Exhibit 3.2' (hereinafter called the 'RNDA', and the American-City Agreement, the City-American Lease and the RNDA being hereinafter collectively called the 'City Agreements'); *provided, however,* that the City Agreements may not be amended in any way that the Port Authority determines would have a material adverse effect on the Port Authority without the express prior written consent of the Port Authority. In addition to and without limiting the foregoing, the City Agreements may not be amended, without the express prior written consent of the Port Authority, in any way that would have the effect of providing for a term of the City-American Lease other than as specified in Section 94 (a) (1) of the Lease, whether or not such amendment would have a material adverse effect on the Port Authority. The Port Authority agrees that the City Agreements shall not be and shall not be deemed to be a breach of this Lease; *provided, however*, that without limiting Section 94 hereof or any other term or condition of the Lease or the Consent Agreement (as defined in Section 92 hereof), the Lessee shall deliver a copy of the City-American Lease to the Port Authority not later than five (5) business days after the execution thereof by the City and the Lessee (as such term is defined in Section 3(e)(2)(iv) of the Lease); *provided, further, however,* that the receipt of such copy of the City-American Lease by the Port Authority shall not be binding on the Port Authority or waive or impair any rights or remedies of the Port Authority or require any action on the part of the Port Authority, and any action, or inaction, in connection with the receipt shall not be deemed to be a waiver or impairment of any rights or remedies that the Port Authority may have under the Lease or the Consent Agreement or otherwise. "

(e) A new paragraph (h) shall be inserted immediately after paragraph (g) thereof to read as follows:

"(h) (1) The following terms when used in this paragraph (h) shall have the respective meanings given below:

(i) 'Current Airport Lease' shall mean as of any particular date, the Airport Lease in effect on such date.

(ii) 'Current Airport Lease Expiration Date' shall mean as of the Supplement One Effective Date, the date December 31, 2015 (the then expiration date of the Basic Lease) and shall mean as of any date subsequent to the

Supplement One Effective Date, the date set forth in the Current Airport Lease for the expiration of the term of the letting under such Current Airport Lease.

(iii) 'Gap Period' shall mean the period occurring from 12:01 a.m. of the next day after the Current Lease Expiration Date to either (x) if there is an Applicable Airport Lease Extension Agreement, 11:59 p.m. of the Current Airport Lease Expiration Date first occurring after the commencement of such Gap Period or (y) if there is no Applicable Airport Lease Extension Agreement, 11:59 p.m. on December 31, 2015.

(2) Notwithstanding anything to the contrary in this Section 3, as long as the Port Authority has not given a notice of termination of the letting under this Lease in accordance with the requirements of such Lease, then during the Gap Period the Port Authority shall not commence any action against the Lessee seeking possession of the Premises or dispossession of the Lessee from the Premises unless the Port Authority is required to do so (whether required by contract, lease, law, court order or otherwise)."

1A. The last sentence of Section 4 II.(d)(1) of the Lease shall be amended to read as follows: "From and after the Building Rental End Date, if any, there shall be no Area II Building Rental payable under the Lease."

2. Section 32 of the Lease entitled "Notices" shall be amended by deleting the address, "One World Trade Center, New York, New York 10048" appearing in the eleventh (11th) line thereof and by inserting in lieu thereof the address "225 Park Avenue South, New York, New York 10003."

3. Section 37 of the Lease entitled "Termination by Lessee" shall be amended as follows:

(a) The first line of paragraph (a) thereof commencing with the word "If" and ending with a colon, shall be amended as follows:

"Except as otherwise provided in paragraph (d) of this Section, if any one or more of the following events shall occur:"

(b) The following new paragraph (d) shall be inserted immediately after paragraph (c) thereof to read as follows:

"(d) Notwithstanding paragraphs (a), (b) and (c) of this Section, the Lessee shall not have the right to terminate the Lease without the consent of the Leasehold Mortgagee (as defined in Section 92 hereof) prior to the date that the Leasehold Mortgage and the Reletting Rights (as defined in Section 92) of the Leasehold Mortgagee automatically terminate pursuant to paragraph (e) of Section 92 of this Lease."

4. The Section of the Lease entitled "Entire Agreement" shall be renumbered as "Section 95" and the reference in the first sentence thereof to "Section 92" shall be amended to read "Section 95" and the following new Sections 92, 93 and 94 are hereby added to the Lease to read as follows:

"Section 92. Reletting Rights-Leasehold Mortgagee

(a) As used in this Section 92 the following terms shall have the following meanings:

'Act' shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

'Additional Bond Resolutions' shall mean the resolutions adopted by the IDA in connection with the issuance and sale of Additional Bonds.

'Additional Bonds' shall mean all series of bonds that are issued by the IDA, subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the Subleases and Indenture, to finance the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest).

'Additional Section 91 Redevelopment Work Investment Certificate' and **'Additional Section 91 Redevelopment Work Investment Certificates'** shall have the meaning set forth in paragraph (d) of this Section 92.

'Additional Supplemental Indentures' shall mean such indentures supplemental or amendatory to the Master Indenture, which are executed subsequent to the execution of the 2002 Supplemental Indentures in accordance with the terms and conditions of Section 6.2 of the Consent Agreement.

'Approved Successor Lessee' shall mean a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under this Lease, who shall each meet all of the requirements set forth in paragraphs (t) and (u) of this Section including but not limited to the entering into with the Port Authority of the Lease Assignment/Assumption and Consent Agreement (as defined in paragraph (t) of this Section), and thereby become the assignee/purchaser of this Lease with respect to the Mortgaged Premises resulting from the exercise by the Leasehold Mortgagee of its Reletting Rights, whether by foreclosure and sale or by assignment in lieu of foreclosure.

'Audit Confirmation Notice' shall have the meaning set forth in paragraph (d) of this Section 92.

'Audit Nonconfirmation Notice' shall have the meaning set forth in paragraph (d) of this Section 92.

'Bankruptcy Code' shall mean the United States Bankruptcy Reform Act of 1978, as amended, including without limitation amendments made by the Bankruptcy Reform Act of 1994, and as the same may be further amended or supplemented, or any Federal bankruptcy law or laws replacing the foregoing.

'Bankruptcy Rejection Date' shall have the meaning as defined in paragraph (r)(1)(i)(B) of this Section.

'Bondholder' and 'Bondholders' shall mean, respectively, (i) each holder of a Bond or Bonds and (ii) all holders of all the Bonds.

'Bonds' shall mean, collectively, the Series 2002 Bonds and Additional Bonds; provided, however, that the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage shall be limited to a maximum amount of Two Billion Three Hundred Million Dollars and No Cents ($2,300,000,000.00), determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents.

'Bonds Default' shall mean either (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture; provided, however, if any of the foregoing arises out of an act or omission of the Trustee, despite the payment of any such amounts to the Trustee, then such Event of Default shall not be a Bonds Default.

"Bonds Default Date' shall have the meaning set forth in paragraph (m) of this Section 92.

'Bond Resolutions' shall mean, collectively, (i) the resolution adopted by the IDA on December 9, 1999, (ii) the resolution adopted by the IDA on October 23, 2001, as amended November 13, 2001, and (iii) all Additional Bond Resolutions.

'Consent Agreement' shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, entered into by and among the Port Authority, the Lessee, AMR Corporation, the Trustee and the IDA.

'Deferred Reletting Fee' shall mean the fee payable by the Trustee or the Approved Successor Lessee to the Port Authority at the times and in the amounts as set forth in and pursuant to paragraph (u) of this Section.

'Deferred Reletting Fee Rental' shall mean the additional rental payable by the Approved Successor Lessee to the Port Authority as set forth in and pursuant to paragraph (u) of this Section.

'Deferred Reletting Fee Rental Commencement Date' shall have the meaning set forth in paragraph (u) of this Section.

'Deferred Reletting Fee Rental Period' shall have the meaning set forth in paragraph (u) of this Section.

'Fee Owner' shall have the meaning given to such term in the RNDA.

'Financing Documents' shall have the meaning given to such term in the Consent Agreement.

'Financing Transaction' shall mean the issuance of the Bonds for the financing of the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest) and all the transactions documented by the Financing Documents that support and facilitate such issuance.

'Foreclosure Period' shall mean an initial period of 270 days, subject to the conditions applicable to said initial period as set forth in paragraph (n) of this Section, and extendable to an aggregate total maximum period, including all such extensions, of seven hundred and twenty (720) days, subject (except as otherwise expressly provided) to the tolling of the running of the Foreclosure Period pursuant to the last sentence of this definition, paragraph (t)(3) of this Section or to the suspension of the running of the Foreclosure Period pursuant to paragraph (r)(1)(ii)(b) of this Section, and subject to the conditions set forth in paragraphs (l) and (n) of this Section, and which shall commence on Reletting Election Notice Service Date (subject to paragraph (l) of this Section) after the first to occur of any of the following (i) the Notice of Termination Service Date; (ii) the Bankruptcy Rejection Date; and (iii) the Bonds Default Date; and said Foreclosure Period shall expire, unless sooner terminated, on the earlier to occur of (x) the ninetieth consecutive day following such commencement if the conditions for the extension of the same under paragraph (n)(4) of this Section are not satisfied or, if there are one or more extensions thereof as provided in and subject and pursuant to subparagraphs (4), (5) and (6) of paragraph (n) of this Section, the last day of the final extension, or (y) the Lease Assignment/Assumption Commencement Date; the foregoing to be subject, however, to the provisions set forth in paragraphs (r)(1) and (q) of this Section; provided, however, that the Foreclosure Period shall not in any event continue after the transfer of title to the Lessee's interest in the Mortgaged Premises under the Lease pursuant to the issuance of a final judgment of foreclosure by a court of competent jurisdiction or after any termination or expiration of the Leasehold Mortgage as provided in this Section; and provided that the Foreclosure Period shall be subject to earlier termination as provided in paragraph (o) of this Section, and provided,

further, there shall be no Foreclosure Period if there is no Reletting Rights Effective Date. Notwithstanding anything herein to the contrary, if, during the pendancy of any Foreclosure Period, the Bonds Default and/or Lease Default giving rise to such Foreclosure Period, or any subsequent Bonds Defaults or Lease Defaults thereafter occurring, are cured, or waived by the Port Authority, as applicable, in accordance with the applicable agreement(s) prior to the Lease Assignment/Assumption Commencement Date and any pleading/proceedings based upon such Bonds Defaults or Lease Defaults are dismissed with prejudice, then such Foreclosure Period shall be deemed not to have occurred (provided that any amounts paid or owing to the Port Authority as of the date thereof shall be retained by, or continue to be owing to, the Port Authority, as applicable). In addition, as of the date and during the pendancy of any Lessee Bankruptcy, notwithstanding anything herein to the contrary, the counting of days and the Leasehold Mortgagee's Foreclosure Period Obligations in connection with any then-pending Foreclosure Period shall be deemed suspended and held in abeyance until the earlier of (i) the conclusion of the Lessee Bankruptcy or (ii) the Bankruptcy Rejection Date.

'Foreclosure Period Extension Fee' shall mean the fee payable to the Port Authority by the Leasehold Mortgagee for each applicable extension, and collectively for any and all applicable extensions, of the Foreclosure Period at the times and in the amounts set forth in and pursuant to paragraph (n) of this Section.

'Guaranties' shall have the meaning given to such term in the Consent Agreement.

'IDA' shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation created and existing under and by virtue of the laws of the State of New York.

'IDA Sublease' shall mean the IDA Sublease, as amended by all IDA Sublease Amendments.

'IDA Sublease Amendments' shall mean written amendments amendatory to the IDA Sublease, which are executed subsequent to the execution of the IDA Sublease in accordance with the terms and conditions of Section 6.2 of the Consent Agreement.

'Indenture' shall mean the Master Indenture, as amended, modified or supplemented by the 2002 Supplemental Indentures and all Additional Supplemental Indentures.

'Lease Assignment/Assumption and Consent Agreement' shall have the meaning as defined in paragraph (t)(2) of this Section.

'Lease Assignment/Assumption Commencement Date' shall have the meaning as defined in paragraph (t)(2) of this Section.

'Lease Termination' shall mean a breach of or default under the Lease for which the Port Authority has delivered a Notice of Termination in accordance with paragraph (l) of this Section 92.

'Leasehold Mortgage' shall mean the mortgage to be granted by the Lessee to the Leasehold Mortgagee, a form of which is attached to the Consent Agreement as *Exhibit G* and thereby made a part thereof, and which is subject to, controlled by and dependent upon the Lease, including this Section.

'Leasehold Mortgagee' shall mean the Trustee acting in its capacity as 'Leasehold Mortgagee' under the Leasehold Mortgage.

'Leasehold Mortgagee's Foreclosure Period Commencement Payments' shall have the meaning as defined in paragraph (n)(1) of this Section.

'Leasehold Mortgagee's Foreclosure Period Current Basis Payments' shall have the meaning as defined in paragraph (n)(2) of this Section.

'Leasehold Mortgagee's Foreclosure Period Obligations' shall have the meaning as defined in paragraph (n)(3) of this Section.

'Leasehold Mortgagee's Foreclosure Period Payments' shall mean the payments required to be made by the Leasehold Mortgagee to the Port Authority as set forth in paragraph (n) of this Section including the Leasehold Mortgagee's Foreclosure Period Commencement Payments, the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, and the Foreclosure Period Extension Fees.

'Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees' shall mean:

(A) all amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the original Notice of Termination Effective Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the original Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92); and

(B) all amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for any and all periods up to the original Notice of Termination Effective Date, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the original Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92).

'Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees' shall mean:

(A) all amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the thirtieth (30th) day after the original Notice of Termination Effective Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the end of the period of the first extension of the Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92) pursuant to paragraph (l) (2) of this Section 92; and

(B) all amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for any and all periods up to the thirtieth (30th) day after the original Notice of Termination Effective Date, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the end of the period of the first extension of the Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92) pursuant to paragraph (l) (2) of this Section 92.

'Lessee Bankruptcy' shall mean the filing by the Lessee of a voluntary petition under the Bankruptcy Code or the filing of an involuntary petition against the Lessee under the Bankruptcy Code, and the pendency of proceedings pursuant thereto.

'Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee' shall have the meaning as set forth in paragraph (d)(2)(i)(B) of this Section 92.

'Master Indenture' shall have the meaning given to such term in the Consent Agreement.

'Monthly Factor' shall have the meaning set forth in paragraph (u) of this Section.

'Mortgage Amount' shall mean the amount equal to the lesser of (i) the principal amount of Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents, and (ii) Two Billion Three Hundred Million Dollars and No Cents ($2,300,000,000.00).

'Mortgaged Premises' shall mean the Premises under this Lease on the Supplement One Effective Date, as such Premises may be increased and decreased from time to time pursuant to the terms of the Lease, as amended, supplemented and modified.

'Notice of Proposed Successor Lessee' shall have the meaning set forth in paragraph (n)(3) of this Section.

'Notice of Termination' shall have the meaning set forth in paragraph (l)(1) of this Section.

'Notice of Termination Effective Date' shall have the meaning set forth in paragraph (l)(1) of this Section.

'Notice of Termination Service Date' shall have the meaning set forth in paragraph (l)(1) of this Section.

'Outstanding' shall have the meaning given to such term in the Indenture.

'Proposed Successor Lessee' shall have the meaning set forth in paragraph (t)(1) of this Section.

'Redevelopment Work' shall have the meaning set forth in Section 2B of this Lease.

'Reletting Election Notice' shall mean the written notice required to be given by the Leasehold Mortgagee to the Port Authority pursuant to paragraph (l)(2), (m)(1) or (r)(l)(i)(B) of this Section affirmatively stating the Leasehold Mortgagee's election to (i) exercise its Reletting Rights hereunder and (ii) to exercise its rights under the Leasehold Mortgage to foreclose upon the Leasehold Mortgage or to have the Lease with respect to the Mortgaged Premises assigned to an Approved Successor Lessee in accordance with the provisions of this Section.

'Reletting Election Notice Service Date' shall mean the actual date of the service on the Port Authority by the Leasehold Mortgagee of its Reletting Election Notice provided that such service is duly and timely made in accordance with the terms and provisions of this Lease.

'Reletting Election Period' shall mean the period during which the Leasehold Mortgagee must decide whether it shall exercise its Reletting Rights hereunder and serve its Reletting Election Notice on the Port Authority prior to the expiration thereof, and which period shall commence on the earliest to occur of (i) the Notice of Termination Service Date, (ii) the Bankruptcy Rejection Date, and (iii) the Bonds Default Date, and which period shall expire at 11:59 p.m. New York City time on the thirtieth (30th) consecutive day following said commencement, unless extended in accordance with the terms of paragraph (l)(2) of this Section.

'Subleases' shall mean collectively, the Company Sublease, the IDA Sublease and all IDA Sublease Amendments.

'Subsequent Non-Bonds Default' shall have the meaning set forth in paragraph (n)(7)(i) of this Section.

'Subsequent Notice of Termination' shall have the meaning as set forth in paragraph (l)(3) of this Section.

'Subsequent Notice of Termination Service Date' shall have the meaning as set forth in paragraph (l)(3) of this Section.

'Successor Trustee' shall mean a successor to the Trustee selected and appointed in accordance with the Indenture, which has delivered a Certificate of Assumption and Agreement in accordance with the Indenture and Section 6.4 of the Consent Agreement.

'Trustee' shall mean shall mean The Bank of New York, or any Successor Trustee under the Indenture.

'Wrongful Recording of the Leasehold Mortgage' shall have the meaning as set forth in paragraph (d) (2) (ii) of this Section 92.

'2002 Supplemental Indentures' shall have the meaning given to such term in the Consent Agreement.

(b) (1) The Lessee hereby represents to the Port Authority that the Lessee intends to finance the costs of the Redevelopment Work (including reserves, costs of issuance and capitalized interest), together with associated personal property, with the proceeds of the Bonds issued by the IDA pursuant to the Financing Transaction, and that contemporaneously with the execution of Supplement No. 1 to this Lease the Lessee will be executing certain of the Financing Documents subject to the execution by the Lessee, the Port Authority, the Trustee, AMR and the IDA of the Consent Agreement.

(2) It is expressly acknowledged that the intent of the parties hereto is that the Leasehold Mortgage is to be granted by the Lessee to the Trustee pursuant to the provisions hereof, solely for the purposes of allowing the Trustee in its capacity as Leasehold Mortgagee to exercise its Reletting Rights with respect to the Mortgaged Premises, as the implementation of the security afforded to the Bondholders solely with respect to the Mortgaged Premises by virtue of the Leasehold Mortgage, and to obtain an Approved Successor Lessee during the Foreclosure Period if it elects to do so pursuant to this Section.

(c) (1) Notwithstanding the provisions of Section 19 of this Lease and any other provision of this Lease, and without otherwise limiting the generality thereof, the Lessee, but only as part of the Financing Transaction, shall have the right (exercisable one time only) to execute the Leasehold Mortgage and to date, execute, deliver and record the same in accordance with this Lease including without limitation this Section 92 and the Consent Agreement,

provided that, the Consent Agreement shall have been duly executed by all the parties thereto and have been delivered by the Port Authority to the other parties thereto, and, provided, further, that on or prior to the date this Supplement No. 1 to the Lease is executed, the terms and conditions of Section 4.3 of the Consent Agreement shall have been met.

(2) It is hereby understood and agreed that in no event shall the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage exceed the amount of Two Billion Three Hundred Million Dollars and No Cents ($2,300,000,000.00), determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents.

(3) It is hereby understood and agreed that there shall be only one (1) Leasehold Mortgage and the Leasehold Mortgage shall only mortgage the leasehold interest of American Airlines, Inc. (the Lessee on the Supplement One Effective Date) or of a Section 19 Assignee (in the event of a permitted assignment of the Lease to a Section 19 Assignee prior to the Reletting Rights Effective Date) in the Mortgaged Premises under the Lease; provided, however, that if the Lessee granting the Leasehold Mortgage is also a Section 19 Assignee it may make such granting of the Leasehold Mortgage only if it also assumes all of the obligations of the Lessee under the Consent Agreement and also assumes all of the obligations of the Guarantor under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds.

(4) It is hereby understood and agreed that the Leasehold Mortgage shall only secure the obligations of (i) American Airlines, Inc. (including its permitted successors as Guarantor pursuant to and under the American Airlines Guaranty, provided that each such permitted successor is then the Lessee under this Lease) under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR Corporation (including its permitted successors as Guarantor pursuant to and under the AMR Guaranty) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds.

(5) The Leasehold Mortgage shall not be executed, delivered, dated or recorded, or otherwise become effective, except as provided in and in accordance with paragraph (d) of this Section and shall terminate as provided in and in accordance with paragraph (e) of this Section and Article 5.2 of the Consent Agreement.

(d) (1) Without limiting Section 19 or any other term or provision of this Lease or any term or provision of the Consent Agreement, and notwithstanding anything herein or in the Financing Documents, the Leasehold Mortgage or any consent or approval of the Port Authority thereto to the contrary, (i) the Leasehold Mortgage shall not be effective, (ii) the lien created by the Leasehold Mortgage shall not attach, (iii) the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, (iv) the Leasehold Mortgage shall not be executed, dated, delivered or recorded and (v) the Reletting Rights shall not be exercisable, unless all of the Reletting Rights Effective Date Conditions (set forth in items (i) through (v) of this paragraph (d) shall have occurred:

(i) the Port Authority shall have received from the Lessee the certificates required to be delivered to the Port Authority by paragraph (n)(1) of Section 2B of this Lease, certifying that there has been substantial completion of the Redevelopment Work;

(ii) the Redevelopment Work Completion Date shall have occurred;

(iii) the Lessee shall have received from the Port Authority the Port Authority certificate pursuant to Section 2B(n)(1) of this Lease;

(iv) the Lessee shall have made a Redevelopment Work Investment in the Premises of not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), as such investment shall have been evidenced as set forth in the definition of Redevelopment Work Investment in Section 91 of the Lease, and the Lessee shall have received from the Port Authority either (A) an Audit Confirmation Notice or (B) a Reliance Notice in accordance with subparagraph (3) below of this paragraph (d);

(v) the Port Authority shall have received from the Lessee a certificate signed by a responsible officer of the Lessee certifying that the Premises contains not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of aircraft gate positions as shall satisfy the requirement for item (iii) of the Required Conditions set forth in the definition of Required Conditions in Section 91 of the Lease.

(2) (i) (A) The Leasehold Mortgagee shall, at such time it deems appropriate following its receipt of the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee (after the occurrence of all of the Reletting Rights Effective Date Conditions set forth in items (i) through (v) above), record or present for recording the Leasehold Mortgage in the appropriate filing office as required by and in compliance with all applicable law.

(B) In no event shall the Leasehold Mortgage be recorded until the Port Authority and the Leasehold Mortgagee shall have received from the Lessee a notice (in the form attached to the Consent Agreement as Exhibit P thereof) indicating the Lessee's intention to date, execute and deliver to the Leasehold Mortgagee for recording the Leasehold Mortgage not earlier than fifteen (15) business days after the date of the delivery of such notice to the Port Authority, and containing the Lessee's certification that such dating, execution, delivery and recording of the Leasehold Mortgage is and shall be in compliance with the Lease and the Consent Agreement and that that the conditions set forth in the foregoing items (i) through (v) of this paragraph (d) have been fulfilled, and which notice shall have attached thereto a copy of the Leasehold Mortgage to be recorded as dated, signed, and acknowledged by the Lessee (the "Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee").

(ii) Notwithstanding the foregoing, it is expressly understood and agreed that any dating, execution, delivery or recording of the Leasehold Mortgage by the Lessee, the Leasehold Mortgagee or any other person prior to the occurrence of all of the Reletting Rights Effective Date Conditions set forth in items (i) through (v) above or in violation or contravention of any of the terms, provisions, covenants and conditions of the Lease or the Consent Agreement including but not limited to any recording of a form of the Leasehold Mortgage which is not the same as the form attached to the Consent Agreement, or any dating, executing, delivery or recording of the Leasehold Mortgage by the Lessee, the Leasehold Mortgagee or any other person which is in violation of any term, covenant, condition, provision or representation contained or made in the Lease or the Consent Agreement, or, without limiting any of the foregoing, any recording of the Leasehold Mortgage by any person other than the Leasehold Mortgagee (each of the foregoing, a "Wrongful Recording of the Leasehold Mortgage") shall constitute a material breach of this Lease by the Lessee and an event of default under Section 20 hereof permitting the Port Authority to terminate the Lease in accordance with Section 20 hereof, in addition to and without limiting any other rights or remedies of the Port Authority, legal, equitable or otherwise, under the Lease or otherwise; and any such Wrongful Recording of Leasehold Mortgage shall not constitute the Trustee as the Leasehold Mortgagee nor entitle the Trustee to any of the Reletting Rights or rights thereunder or any other rights against the Lease or the Premises or the Port Authority. Without limiting any of the foregoing or any of the indemnities given in favor of the Port Authority under the Lease or otherwise, the Lessee hereby expressly covenants, represents and warrants to the Port Authority that the Lessee shall cooperate with the Port Authority and shall promptly take or cause to be taken any and all actions requested or required by the Port Authority or required under applicable law to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage including but not limited to the execution and filing of all appropriate instruments; and the Lessee shall ensure that its agreements with the Trustee, including but not limited to the Indenture and the Leasehold Mortgage incorporate the provisions of this subparagraph (d) (2), including similar obligations of the Trustee with respect to the foregoing. The foregoing covenant, representation and warranty of the Lessee shall survive any such termination of the Lease. Failure of the Port Authority to object to any Wrongful Recording of the Leasehold Mortgage shall not be deemed to constitute a waiver of any of the foregoing terms and covenants of this paragraph (d) or to be a waiver of any claim, right or remedy or defense of the Port Authority legal, equitable or otherwise, under the Lease or otherwise or to bar or preclude the Port Authority from asserting any such claim, right, remedy or defense.

(3) (i) It is acknowledged that Section 91 of the Lease sets forth the definition of the "Redevelopment Work Investment" in the Premises and the requirements for the certification of said Redevelopment Work Investment by the Lessee to the Port Authority including without limitation the obligation of the Lessee to deliver certificates to the Port Authority evidencing from time to time the amounts comprising the Redevelopment Work Investment, with such certificates to be signed by a responsible fiscal officer of the Lessee and sworn to before a notary public and which certificates are to set forth specified information and be accompanied by specified documentation, all as set forth in said Section 91 of the Lease (each such certificate meeting all of the requirements and conditions of Section 91 of the Lease is, for purposes of this paragraph (d) including the requirement for cumulative totals as stated in the following sentence, hereinafter referred to as a "Section 91 Redevelopment Work Investment

Certificate" and used in the plural as "Section 91 Redevelopment Work Investment Certificates"). Each Section 91 Redevelopment Work Investment Certificate shall contain the certification of the Lessee under the Lease of the amount of the Redevelopment Work Investment during the applicable period covered thereby, and shall, pursuant to and without limiting Section 91 of the Lease, also contain the certification of the Lessee under the Lease of the cumulative total amount of the Redevelopment Work Investment in the Premises (as defined in the Lease) during all periods from September 24, 1998 through the end of the period covered by the particular Section 91 Redevelopment Work Investment Certificate.

(ii) Without limiting Section 91 of the Lease or any other term, provision, covenant, or condition of the Lease, it is hereby agreed, solely for purposes of determining the fulfillment of the condition set forth in item (1) (iv) of this paragraph (d) (whether the Lessee has made a Redevelopment Work Investment, as defined in Section 91 of the Lease, in the Premises of not less than $850,000,000) with respect to the determination hereunder of when the Leasehold Mortgage is to be dated, executed, delivered and recorded, that when, and only if, the Port Authority has actually received from the Lessee Section 91 Redevelopment Work Investment Certificates cumulatively totaling at least Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), provided the Lessee shall have submitted such Section 91 Redevelopment Work Investment Certificates equaling or exceeding the aforesaid cumulative amount not later than December 1, 2014, the Port Authority shall, not later than one year after the date on which the Port Authority shall have received a Section 91 Redevelopment Work Investment Certificate that sets forth a cumulative total equaling or exceeding Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) deliver to the Lessee, with a copy to the Leasehold Mortgagee, a written notice that either (A) the Port Authority audit confirms Redevelopment Work Investment by the Lessee of not less than $850,000,000 ("Audit Confirmation Notice"), or (B) that the Port Authority audit does not confirm Redevelopment Work Investment by the Lessee of not less than $850,000,000 including or setting forth the Port Authority audit findings applicable thereto which shall include specification of any unqualified costs ("Audit Nonconfirmation Notice") or (C) that the Port Authority elects, solely for purposes of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the dating, executing, delivery and recording of the Leasehold Mortgage, to rely on the Lessee's Section 91 Redevelopment Work Investment Certificates as submitted by the Lessee to the Port Authority without completion of an audit ("Reliance Notice"). The Lessee expressly acknowledges and agrees that in delivering any and all Section 91 Redevelopment Work Investment Certificates to the Port Authority that the Lessee expressly authorizes the Port Authority and the Leasehold Mortgagee to rely on the same for the aforesaid purposes hereof including without limitation the election by the Port Authority to deliver the Reliance Notice.

(iii) In the event the Port Authority delivers to the Lessee and the Leasehold Mortgagee the Audit Confirmation Notice or the Reliance Notice, the aforesaid condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed fulfilled, solely for purposes in connection with the determination under this Section 92 of whether the Leasehold Mortgage is to be dated, executed, delivered and recorded.

(iv) In the event the Port Authority delivers to the Lessee and the Leasehold Mortgagee an Audit Nonconfirmation Notice, as above described, it is expressly understood and

agreed that, without limiting any rights or remedies of the Port Authority under the Lease or otherwise, the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed to have not been fulfilled and the Leasehold Mortgage shall not be dated, executed, delivered or recorded.

(v) In the event that, subsequent to the delivery by the Port Authority of an Audit Nonconfirmation Notice, as described above, the Lessee continues to submit additional (not previously submitted) Section 91 Redevelopment Work Investment Certificates (each, an "Additional Section 91 Redevelopment Work Investment Certificate", and in the plural, "Additional Section 91 Redevelopment Work Investment Certificates") in accordance with, and meeting all of the requirements of, Section 91 of the Lease (including without limitation all documentation and information required under the Lease) and subparagraph (i) of this paragraph (d) (3) (but in no event later than December 1, 2014), when, and only if, the Port Authority actually receives such Additional Section 91 Redevelopment Work Investment Certificates that cumulatively, with the qualified costs under any Section 91 Redevelopment Work Certificates previously submitted, total not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), the Port Authority within one year thereafter will, with respect to such Additional Section 91 Redevelopment Work Investment Certificates, deliver to the Lessee, with a copy to the Leasehold Mortgagee, either (A) an Audit Confirmation Notice, in which case the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed fulfilled, solely for purposes in connection with the determination of whether the Leasehold Mortgage is to be dated, executed and recorded; or (B) an Audit Nonconfirmation Notice, in which case, without limiting any rights or remedies of the Port Authority under the Lease or otherwise, the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed to have not been fulfilled and the Leasehold Mortgage shall not be dated, executed, delivered or recorded or (C) a Reliance Notice, stating that the Port Authority elects, solely for purposes of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the dating, executing, delivery and recording of the Leasehold Mortgage, to rely on the Lessee's Additional Section 91 Redevelopment Work Investment Certificates without completion of an audit. The Lessee expressly acknowledges and agrees that in delivering the Additional Section 91 Redevelopment Work Investment Certificates to the Port Authority that the Lessee expressly authorizes the Port Authority and the Leasehold Mortgagee to rely on the same for the aforesaid purposes hereof including without limitation the election by the Port Authority to deliver the Reliance Notice.

(vi) Neither the foregoing provisions nor the procedure set forth therein nor any action or notice thereunder shall be deemed to extend the term of the letting under the Lease as stated in, and subject to the conditions of, Section 3 thereof, nor to alter, amend or waive any of the terms, provisions, covenants and conditions of the Lease, including, without limitation, Sections 3 and 4 thereof. The foregoing provisions shall not be deemed to release or relieve the Lessee from any of the terms, provisions, covenants and conditions of the Lease on the part of the Lessee to be kept performed and observed, including without limitation the requirements and conditions for the Lessee's evidencing, documentation and certification of the Redevelopment Work Investment as set forth in the definition of Redevelopment Work Investment in Section 91 of the Lease. The provisions of this paragraph (d) (3) are intended only to establish a procedure for determining the fulfillment of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the Lessee's dating, executing, delivery and recording of the Leasehold

Mortgage. The election whether to conduct an audit or to deliver a Reliance Notice shall be at the sole discretion of the Port Authority; neither this paragraph (d) nor anything contained herein shall be deemed to obligate the Port Authority to conduct an audit. It is expressly understood and agreed that in the event the Port Authority delivers a Reliance Notice, the foregoing provisions of this paragraph (d) (3) are not intended to, and shall not, be binding on the Port Authority with respect to the determination of the Redevelopment Work Investment for any other purposes under the Lease, including without limitation Sections 4 and 18 thereof. The delivery by the Lessee of one or more Section 91 Redevelopment Work Investment Certificates or Additional Section 91 Redevelopment Work Investment Certificates to the Port Authority in accordance with the foregoing shall not be binding on the Port Authority and shall not waive, restrict, impair or limit Port Authority rights under the Lease, the Consent Agreement or otherwise to review and audit the Redevelopment Work Investment or any of the Section 91 Redevelopment Work Investment Certificates or Additional Section 91 Redevelopment Work Investment Certificates.

(vii) The agreement of the Lessee to the terms and provisions of this paragraph (d) (3) is a special inducement and consideration to the Port Authority in entering into this Supplement No. 1 to the Lease.

(e) Notwithstanding anything herein or in the Financing Documents, the Leasehold Mortgage or any consent or approval of the Port Authority thereto to the contrary, the Leasehold Mortgage and the Reletting Rights shall automatically terminate and end in any event upon the earliest to occur of:

(1) the expiration, surrender or termination of the Basic Lease except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of subparagraphs (2) through (10) of this paragraph (e), or for any other reason) shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights;

(2) the expiration, surrender or termination of the Lease, except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of subparagraph (1) or subparagraphs (3) through (10) of this paragraph (e)), (i) shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights and (ii) shall not terminate solely due to a deemed termination of this Lease, pursuant to Section 52(a) of this Lease, solely due to the occurrence of a Triggering Event;

(3) the termination of the consent granted under the Consent Agreement as to the Leasehold Mortgage pursuant to Section 5.2 of the Consent Agreement.

(4) the termination, expiration or surrender (including without limitation discharge or release) of both of (i) the American Airlines Guaranty (except that if

payment obligations of American Airlines, Inc. (including its permitted successors pursuant to and under the American Airlines Guaranty as the Guarantor thereunder provided each such permitted successor is then the Lessee under this Lease), thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AMR Guaranty (except that if payment obligations of AMR (including its permitted successors pursuant to and under the AMR Guaranty as the Guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(5) the date on which no Bonds shall be Outstanding;

(6) the expiration of the Reletting Election Period without the timely exercise by the Leasehold Mortgagee of its election to exercise its Reletting Rights by service of its Reletting Election Notice on the Port Authority in accordance with the terms hereof;

(7) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Reletting Rights hereunder;

(8) the effective date of the letting of the Mortgaged Premises hereunder, whether for the full Term or otherwise, to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Reletting Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of a Lease Assignment/Assumption Commencement Date, provided, however, nothing contained in this paragraph (e)(8) shall or shall be deemed to have changed any term or provision of this Section 92 including without limitation paragraph (t) hereof;

(9) the Lease Assignment/Assumption Commencement Date; and

(10) the expiration or earlier termination or cancellation of the Foreclosure Period.

(f) The Leasehold Mortgagee shall not assign or transfer the Leasehold Mortgage to any Person other than a Successor Trustee. Each Successor Trustee shall be obligated under this Section and also under the Consent Agreement, pursuant to the terms of Section 6.4 of the Consent Agreement, and shall hold the Leasehold Mortgage subject to all the terms and provisions of this Section as if it were the original Leasehold Mortgagee.

(g) Provided that nothing in this paragraph shall in any way impair or limit the rights of the Leasehold Mortgagee under this Section or the Leasehold Mortgagee's rights against the Lessee under the Leasehold Mortgage which shall be in accordance with and subject to this Section, and notwithstanding anything contained in the Leasehold Mortgage or any consent or approval of the Port Authority thereto, it is understood and agreed that the rights of the Leasehold Mortgagee shall in all respects be as specified in the Leasehold Mortgage (provided

that a copy of this Section and a copy of the Consent Agreement is attached thereto) and this Section, and shall be subject to, controlled by and dependent upon the terms, covenants, conditions and provisions set forth in this Lease and the Consent Agreement. The terms, covenants, conditions and provisions of this Lease shall govern as between the Port Authority and the Lessee. As between the Port Authority and the Leasehold Mortgagee, in the event of any inconsistency between the terms, covenants, conditions and provisions of this Lease and the terms, covenants, conditions and provisions of the Leasehold Mortgage or the Indenture or any of the other Financing Documents, the terms, covenants, conditions and provisions of this Lease shall control. Notwithstanding any provisions of the Leasehold Mortgage to the contrary, the Lessee for all purposes (except for purposes of paragraph (r) (2) of this Section) shall be deemed to be the Lessee hereunder (subject to the Leasehold Mortgagee's Reletting Rights herein granted) unless and until the Leasehold Mortgagee shall have obtained an Approved Successor Lessee.

(h) (1) Any approval or consent by the Port Authority hereunder whether to the Leasehold Mortgage or to any assignment thereof shall apply only to the specific transaction thereby authorized and shall not relieve the Lessee or the Leasehold Mortgagee from the requirement of obtaining the prior approval or consent of the Port Authority to each and every further assignment of the Leasehold Mortgage (except if otherwise expressly permitted hereunder without such approval).

(2) Neither this Section nor the Leasehold Mortgage shall prevent the Lessee hereunder from amending this Lease without the approval of the Leasehold Mortgagee, provided, however, that:

(i) until the Leasehold Mortgage shall have terminated as provided in paragraph (e) of this Section, no amendment shall be made to this Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) until the Leasehold Mortgage shall have terminated as provided in paragraph (e) of this Section, no amendment which shall only affect an Approved Successor Lessee, without affecting the Lessee, shall be made to this Lease without the prior written consent of the Leasehold Mortgagee.

(i) (1) Except as expressly authorized in above paragraph (c) of this Section, the Lessee shall not mortgage the Lessee's interest in this Lease or the letting hereunder in whole or in part, or any portion of the Mortgaged Premises or the Lessee's subleasehold interests under the Subleases or either of them in whole or in part. The foregoing shall not prohibit the IDA's pledge, pursuant to the Indenture, of its interests under the IDA Sublease and the execution of any financing statements relating to the same.

(2) Neither the Approved Successor Lessee nor any other Person purchasing or succeeding to the leasehold hereunder shall have any right to pledge or mortgage the leasehold hereunder or any portion of the Premises.

(j) (1) On and after (but in no event before) the Reletting Rights Effective Date, the Port Authority shall send to the Leasehold Mortgagee a copy of each notice of default given under the Section of this Lease entitled 'Termination by the Port Authority' or otherwise at the same time as and whenever any such notice of default shall have been sent to the Lessee, and no notice of default given by the Port Authority from and after the Reletting Rights Effective Date shall be deemed to have been given by the Port Authority unless and until a copy thereof shall have been so given to the Leasehold Mortgagee. Effective as of the Reletting Rights Effective Date, but not before, the Lessee irrevocably directs that the Port Authority accept, and the Port Authority agrees to accept, the curing of such default with respect to the Mortgaged Premises by the Leasehold Mortgagee as if and with the same force and effect as though cured by the Lessee. Anything to the contrary herein notwithstanding, it is expressly understood and agreed that the right of the Port Authority to terminate the Lease based on the Wrongful Recording of Leasehold Mortgage shall not be subject to the Reletting Rights of the Leasehold Mortgagee or to the immediately preceding sentences of this paragraph (j), and that any notice of termination given by the Port Authority to the Lessee based on such right of termination shall not be required to be given to the Leasehold Mortgagee, and the Leasehold Mortgagee shall not have any rights to cure such default by the Lessee.

(2) The copies of notices of events of default to be sent to the Leasehold Mortgagee as provided in paragraph (j)(1) of this Section and all other notices to be given to the Leasehold Mortgagee pursuant to this Section, shall be sent to 101 Barclay Street, New York, New York 10286 or to such other address as The Bank of New York or a Successor Trustee shall have last furnished to the Port Authority in writing for the purpose of sending of notices to the Leasehold Mortgagee pursuant to this Section.

(k) The Leasehold Mortgagee shall not have any right in or to the occupancy or use of the Mortgaged Premises except (i) to the extent necessary to cure Lessee's default in accordance with paragraph (j) of this Section and (ii) to fulfill the Leasehold Mortgagee's obligations under paragraph (n)(3)(i) of this Section. The Leasehold Mortgagee shall not enter into or be entitled to enter into possession of the Mortgaged Premises under this Lease except to the extent afforded to it under this Lease.

(l) Lease Termination-Service of Notice of Termination:

(1) If on or after (but in no event shall the following apply before) the Reletting Rights Effective Date, the Port Authority shall elect to terminate the letting of the Premises under this Lease pursuant to Section 20 of this Lease entitled "Termination by the Port Authority", or otherwise, then, except as otherwise provided in subparagraph (1) of paragraph (j) of this Section 92 with respect to a Wrongful Recording of Leasehold Mortgage, the Port Authority shall at the same time send a copy of the written notice of such termination ('Notice of Termination') to the Leasehold Mortgagee (the date of the sending of such Notice of Termination to the Leasehold Mortgagee being herein called the 'Notice of Termination Service Date'). The Notice of Termination shall specify the effective time and date of such termination (the 'Notice of Termination Effective Date'), which time and date must not be before 11:59 p.m. New York City time on the thirtieth (30th) day after the Notice of Termination Service Date, subject to extension as provided in paragraph (l)(2) below. If there is a first extension of the

Notice of Termination Effective Date pursuant to paragraph (l)(2) below, then the term 'Notice of Termination Effective Date' shall be deemed to then be the date which is the thirtieth (30th) day immediately succeeding the original Notice of Termination Effective Date; and if there is thereafter a second extension of the Notice of Termination Effective Date, then the 'Notice of Termination Effective Date' shall be deemed to be the date which is the sixtieth (60th) day immediately succeeding the original Notice of Termination Effective Date.

(2) Except as otherwise provided in subparagraph (1) of paragraph (j) of this Section 92, the serving of the Notice of Termination on or after (but in no event before) the Reletting Rights Effective Date by the Port Authority on the Leasehold Mortgagee in accordance with the foregoing shall trigger the Leasehold Mortgagee's Reletting Rights (solely with respect to the Mortgaged Premises) and the commencement of the Reletting Election Period (unless the Leasehold Mortgagee has previously exercised its Reletting Rights and the Reletting Election Period has previously commenced based on a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section). The Leasehold Mortgagee shall have the right to extend the Notice of Termination Effective Date for a period of thirty (30) days beyond the original Notice of Termination Effective Date, but only if the Leasehold Mortgagee shall pay to the Port Authority, on or before the original Notice of Termination Effective Date, the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees as set forth in the statement from the Port Authority referred to in the following sentence. For purposes of the making of said payment by the Leasehold Mortgagee, the Port Authority agrees to send to the Leasehold Mortgagee at least ten (10) days before the original Notice of Termination Effective Date a statement setting forth the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees; provided, that such statement shall not be conclusive (except for purposes of determining the amount required to be paid pursuant to the preceding sentence) and shall not release or relieve the Lessee or the Leasehold Mortgagee from any amounts due for such period notwithstanding any failure to include amounts due and owing in the said statement nor preclude the Port Authority from rendering a billing for the same. In the event there is an extension of the Notice of Termination Effective Date in accordance with the two foregoing sentences, the Leasehold Mortgagee shall have the right to extend the Notice of Termination Effective Date for a period of sixty (60) days beyond the original Notice of Termination Effective Date, but only if the Leasehold Mortgagee shall pay to the Port Authority, on or before the thirtieth (30th) day after the original Notice of Termination Effective Date, the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and any unpaid Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees, as set forth in the statement from the Port Authority referred to in the following sentence. For purposes of the making of said payment by the Leasehold Mortgagee, the Port Authority agrees to send to the Leasehold Mortgagee at least ten (10) days before the thirtieth (30th) day after the original Notice of Termination Effective Date a statement setting forth the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and any unpaid Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees; provided, that such statement shall not be conclusive (except for purposes of determining the amount required to be paid pursuant to the preceding sentence) and shall not release or relieve the Lessee or the Leasehold Mortgagee from any amounts due for such period notwithstanding any failure to include amounts due and owing in the said statement nor preclude the Port Authority from rendering a billing for the same. The Notice of Termination Service Date

shall be the date of commencement of the Reletting Election Period (unless the Leasehold Mortgagee has previously exercised its Reletting Rights or the Reletting Election Period has previously commenced based on a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section), which Reletting Election Period may extend to a maximum of ninety (90) days subject to and in accordance with the terms of this paragraph; provided, however, that there shall be no Reletting Rights prior to the Reletting Rights Effective Date. The Leasehold Mortgagee shall serve its Reletting Election Notice on the Port Authority on or prior to the Notice of Termination Effective Date, as such date may be extended as provided herein, stating the Leasehold Mortgagee's affirmative election to exercise its Reletting Rights with respect to the Mortgaged Premises and, provided, further, that the Leasehold Mortgagee simultaneously with the giving of its Reletting Election Notice to the Port Authority shall pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Commencement Payments as defined and set forth in paragraph (n)(1) of this Section. Neither the provisions of this paragraph (l) nor any statement given by the Port Authority pursuant to this paragraph (l) shall be deemed to impair, restrict, limit, alter or affect any claim, right or remedy of the Port Authority under the Lease or otherwise, including without limitation the right to serve a Notice of Termination under the Lease, or to limit the amounts forming the basis for any termination of the Lease by the Port Authority or for which the Lessee may be liable under Section 23 of the Lease entitled 'Survival of the Obligations of the Lessee', nor shall the same impose or create any liability on the Port Authority to, or be the basis of any claim against the Port Authority by, the Lessee, the Leasehold Mortgagee, the Bondholders, the IDA or any other party or Person with respect to any such statement provided the Port Authority has provided the same in good faith, nor shall any such statement be binding on the Port Authority or constitute or be deemed to constitute any waiver or estoppel of any claim, right or remedy of the Port Authority; provided that nothing in this sentence shall limit the rights of the Leasehold Mortgagee to extend the Notice of Termination Effective Date by paying the amount set forth in the applicable notice from the Port Authority as provided in this paragraph (l).

(3) In the event that prior to the Notice of Termination Service Date there has previously occurred a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section, such subsequent occurrence of the Notice of Termination Service Date ('Subsequent Notice of Termination Service Date') shall not commence a new Reletting Election Period or, if applicable, a new Foreclosure Period, and the subsequent Notice of Termination ('Subsequent Notice of Termination') shall be deemed stayed during the balance of the previously commenced Foreclosure Period and such Foreclosure Period may continue (as the same may be extended under paragraph (n) of this Section) if and only if the Leasehold Mortgagee shall, in addition to its continued compliance with all of the Leasehold Mortgagee's Foreclosure Period Obligations including its continued payments of the Leasehold Mortgagee's Foreclosure Period Payments, pay to the Port Authority any applicable Foreclosure Period Extension Fees as set forth in paragraph (n) of this Section.

(m) Bonds Default:

(1) In the event on or after the Reletting Rights Effective Date a Bonds Default shall occur, the Leasehold Mortgagee's Reletting Election Period shall be deemed to

commence upon the date of said Bonds Default ('Bonds Default Date'), but only if such Bonds Default also constitutes an event of default under the Leasehold Mortgage giving the Leasehold Mortgagee the right to foreclose the Leasehold Mortgage. The Leasehold Mortgagee shall serve its Reletting Election Notice on the Port Authority prior to the expiration of said Reletting Election Period. Notwithstanding the foregoing, in the event either a Notice of Termination Service Date or a Bankruptcy Rejection Date occurs prior to a Bonds Default, such Bonds Default shall not trigger a new Reletting Election Period or Foreclosure Period.

(2) After the written request of the Leasehold Mortgagee to the Port Authority which may be made from time to time (but not more frequently than once per calendar month) during that portion of the term of the letting to the Lessee of the Mortgaged Premises from and after the Reletting Rights Effective Date up to the occurrence of the earlier of (i) a Notice of Termination Service Date and (ii) a Bankruptcy Rejection Date or (iii) a Bonds Default Date, the Port Authority shall promptly provide to the Leasehold Mortgagee a statement of amounts invoiced by the Port Authority to the Lessee during the sixty (60) day period preceding the date of each request and setting forth the unpaid amounts, if any, owing or estimated to be owing to the Port Authority by the Lessee under the Lease at the date of the request; provided that the Port Authority in supplying any such statement or statements to the Leasehold Mortgagee shall do so without any warranty or representation to the Leasehold Mortgagee and the Port Authority shall not be liable to the Leasehold Mortgagee, the Lessee, Bondholders or any of them, the IDA or any other party or person with respect to any information contained or not contained therein or the accuracy of the same provided it has submitted such information in good faith (each such statement of amounts invoiced, an 'Information Statement'). Neither the provisions of this paragraph (m) nor any Information Statement shall be deemed to impair, restrict, limit, alter or affect any claim, right or remedy of the Port Authority under the Lease or otherwise, including without limitation the right to serve a Notice of Termination under the Lease, or to limit the amounts forming the basis for any termination of the Lease by the Port Authority or for which the Lessee may be liable under Section 23 of the Lease entitled 'Survival of the Obligations of the Lessee', nor shall the same impose or create any liability on the Port Authority to, or be the basis of any claim against the Port Authority by, the Lessee, the Leasehold Mortgagee, the Bondholders or any of them, the IDA or any other party or Person with respect to the Information Statement provided the Port Authority has provided the same in good faith, nor shall any such Information Statement be binding on the Port Authority or constitute or be deemed to constitute any waiver or estoppel of any claim, right or remedy of the Port Authority.

(n) Leasehold Mortgagee's Foreclosure Period Obligations/Foreclosure Period Extensions

The Trustee as Leasehold Mortgagee shall have all of the following obligations upon the commencement of and during the Foreclosure Period including all extensions thereof (all of the following obligations herein collectively called the 'Leasehold Mortgagee's Foreclosure Period Obligations'):

(1) Leasehold Mortgagee's Foreclosure Period Commencement Payments- Delivery of Reletting Election Notice:

Any commencement of the Foreclosure Period, whether triggered by the delivery of a Reletting Election Notice following a Notice of Termination Service Date or a Bankruptcy Rejection Date or a Bonds Default, shall be further conditioned on the payment of the following by the Leasehold Mortgagee, and the Leasehold Mortgagee shall pay to the Port Authority simultaneously with the Leasehold Mortgagee's service of the Reletting Election Notice the following amounts ('Leasehold Mortgagee's Foreclosure Period Commencement Payments') (provided that the Port Authority shall be obligated to give the Leasehold Mortgagee at least ten (10) days' prior written notice of the amounts due under this subparagraph (n)(1) and all other subparagraphs under this paragraph (n) except as otherwise expressly provided herein):

(A) All amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the Reletting Election Notice Service Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water, and other utility charges, extermination services and additional rental under Section 16 hereof; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

(B) All amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for a period of sixty (60) days up to the Reletting Election Notice Service Date; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

(2) Leasehold Mortgagee's Foreclosure Period Current Basis Payments From and After the First (1st) Day of the Foreclosure Period:

After the initial commencement of the Foreclosure Period and at all times during the continuation of the Foreclosure Period including any and all extensions thereof (and in addition to the Foreclosure Period Commencement Payments set forth in subparagraph (1) of this paragraph (n) and in addition to the Foreclosure Period Extension Fees set forth in subparagraphs (5), (6) and (7) of this paragraph (n)) the Leasehold Mortgagee shall pay to the Port Authority the following amounts on a current basis (the 'Leasehold Mortgagee's Foreclosure Period Current Basis Payments'), as and when due under this Lease and under the General Airport Agreement (and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees); to the extent such amounts are not paid by Lessee:

(A) All amounts due and owing to the Port Authority under this Lease on a current basis as the same become due and payable to the Port Authority under this Lease commencing as of the first day of the Foreclosure Period, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled

Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water, and other utility charges, extermination services and additional rental under Section 16 hereof, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee.

(B) All amounts due and owing to the Port Authority by the Lessee under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees on a current basis accrued on or after the commencement of the Foreclosure Period as the same become due and payable to the Port Authority commencing as of the first day of the Foreclosure Period; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee.

(3) Other Leasehold Mortgagee's Foreclosure Period Obligations From and After the First (1st) Day of the Foreclosure Period:

(i) At all times during the Foreclosure Period the Leasehold Mortgagee shall use all reasonable efforts to preserve the value of the Mortgaged Premises hereunder until it has possession of the Mortgaged Premises under the Lease, and thereafter shall fulfill all obligations under the Lease with respect to the preservation of the Mortgaged Premises;

(ii) Immediately upon the commencement of the Foreclosure Period the Leasehold Mortgagee shall use commercially reasonable efforts to obtain an Approved Successor Lessee for the Mortgaged Premises for the balance of the term hereunder or such lesser term as it proposes to lease, subject to the consent of the Port Authority in accordance with and subject to paragraphs (t) and (u) of this Section; provided further, that if, within the Foreclosure Period, the Leasehold Mortgagee selects a Proposed Successor Lessee for the Mortgaged Premises it shall give prompt written notice thereof to the Port Authority including all information described in paragraph (t) of this Section (provided, however, that failure by the Leasehold Mortgagee to give such written notice promptly shall not be deemed to be a violation of the terms of this Section or the Consent Agreement and shall not be deemed to impair the Reletting Rights of the Leasehold Mortgagee except that there shall be no Approved Successor Lessee where the Port Authority is unable to make a determination under paragraph (t) (3) resulting from such failure of the Leasehold Mortgagee; provided, further, however, that such failure by the Leasehold Mortgagee to promptly give such notice and information to the Port Authority shall also mean that there shall be no tolling of the Foreclosure Period or of the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees under paragraph (t) (3) hereof); it being understood and agreed that any such Approved Successor Lessee shall be obligated to pay to the Port Authority all the rentals, fees, charges and other amounts payable under the Lease, all of which shall be applicable to and paid by the Approved Successor Lessee during the reletting of the Mortgaged Premises to the Approved Successor Lessee, and shall be in addition to the Deferred Reletting Fee or the Deferred Reletting Fee Rental, as the case may be, required to be paid to the Port Authority as described in paragraph (u) of this Section.

(4) Initial Foreclosure Period - 91st to 180th days:

Upon any commencement of the Foreclosure Period, whether triggered by a Lease Default (Notice of Termination or Bankruptcy Rejection Date) or a Bonds Default, the Leasehold Mortgagee shall (to the extent permitted by law) promptly and diligently and in good faith commence and continue and seek to complete proceedings to foreclose upon the Leasehold Mortgage and, in the event the Lessee fails to vacate the Mortgaged Premises including eviction of the Lessee therefrom; provided that in the event the Leasehold Mortgagee continues diligently to continue and complete the foreclosure proceedings including eviction of the Lessee and, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee by 11:59 pm New York City time on the ninetieth (90th) day from the initial commencement of the Foreclosure Period, then, provided that not less than five (5) days prior to the expiration of said initial 90-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings and subject to the further condition set forth below, the initial Foreclosure Period shall be deemed extended for an additional ninety (90) days and shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the one hundred and eightieth (180th) day from the initial commencement of the Foreclosure Period subject to the extension under subparagraph (5) of this paragraph (n); subject, however, to the further condition that during the said 91st to 180th days of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(5) Initial Foreclosure Period - 181st to 270th Days:

In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose upon the Leasehold Mortgage, including eviction of the Lessee, and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee by 11:59 p.m. New York City time on the 180th day from the commencement of the Foreclosure Period, then, provided that not less than five (5) days prior to the expiration of said 180-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, and subject to the further conditions set forth below, the Foreclosure Period shall be deemed extended for an additional 90 days which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 270th day from the initial commencement of the Foreclosure Period); subject, however, to the following further conditions:

(i) that during the said 181st to 270th days of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 181st to 270th day period a Foreclosure Period Extension Fee in the amount of Eight Million Ninety Thousand Dollars and No Cents ($8,090,000.00). The said Foreclosure Period Extension Fee shall be payable to the Port Authority in three equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next two installments shall be due and payable by the Leasehold Mortgagee on the 210th day and on the 240th day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; however, the same shall be subject the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(6) Foreclosure Period Additional Extensions - To Maximum Aggregate Total of 720 days/Foreclosure Period Extension Fees:

Pre-conditions to additional extensions: It is expressly understood and agreed that unless each of the following conditions is satisfied prior to 11:59 p.m. New York City time on the 270th day of the Foreclosure Period (as extended under the foregoing subparagraph (5)) there shall be no further extension of the Foreclosure Period beyond the 270th day: (aa) the Leasehold Mortgagee has previously identified and proposed to the Port Authority a Proposed Successor Lessee pursuant to and in accordance with the terms and provisions of paragraph (t) of this Section and in full compliance with all of the requirements and conditions of said paragraph (t), (bb) such Proposed Successor Lessee meets all of the requirements for becoming an Approved Successor Lessee, as determined by, and to the satisfaction of, the Port Authority, (cc) such Proposed Successor Lessee, the Leasehold Mortgagee, the Lessee (if required pursuant to paragraph (t) (2) hereof) and the Port Authority have executed the Lease Assignment/Assumption and Consent Agreement subject to, and under which the Proposed Successor Lessee will become the Approved Successor Lessee commencing only upon, the successful completion by the Leasehold Mortgagee of the foreclosure and eviction proceedings prior to the expiration of the Foreclosure Period (if and as extended not to exceed an aggregate maximum total of 720 days). The foregoing pre-conditions shall be in addition to the conditions set forth below which the Leasehold Mortgagee must satisfy with respect to each of the following additional extensions of the Foreclosure Period.

(A) Foreclosure Period extension 271st to 360th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the

Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 270th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 270-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for an additional 90 days which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes 360th day from the commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 271st to 360th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 271st to 360th day extension a Foreclosure Period Extension Fee in the amount of (Ex. 2.a.) The said Foreclosure Period Extension Fee shall be payable to the Port Authority in three equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next two installments shall be due and payable by the Leasehold Mortgagee on the 301st day and on the 331st day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(B) Foreclosure Period extension 361st to 540th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently

continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 360th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 360-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for an additional period which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 540th day from the initial commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 361st to 540th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 361st to 540th day extension a Foreclosure Period Extension Fee in the amount of (Ex. 2.a.) . The said Foreclosure Period Extension Fee shall be payable to the Port Authority in six equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next five installments shall be due and payable by the Leasehold Mortgagee on the 391st day, on the 421st day, on the 451st day, on the 481st day, and on the 511th day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(C) Foreclosure Period final extension 541st to 720th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the

Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 540th day from the commencement of the Foreclosure Period and the pendancy of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 540-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for a final period which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 720th day from the initial commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 541st to 720th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 541st to 720th day extension a Foreclosure Period Extension Fee in the amount of . The said Foreclosure Period Extension Fee shall be payable to the Port Authority in six equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next five installments shall be due and payable by the Leasehold Mortgagee on the 571st day, on the 601st day, on the 631st day, on the 661st day, and on the 691st day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(7) Foreclosure Period Extension Fees/initial Bonds Default followed by a Lease Termination or Bankruptcy Rejection Date.

(i) For purposes of this subparagraph (7) the term 'Subsequent Non-Bonds Default' shall mean the occurrence of either a Notice of Termination Service Date or a Bankruptcy Rejection Date (whichever is first to occur) subsequent to the initial commencement of the Foreclosure Period which commencement was based solely on the occurrence of a Bonds Default. In the event that the Foreclosure Period initially commences as a result solely of a Bonds Default, the Foreclosure Period Extension Fees shall not be payable unless and until there occurs a Subsequent Non-Bonds Default; provided that such Subsequent Non-Bonds Default shall neither commence a new Foreclosure Period nor extend the total aggregate Foreclosure Period (including all available extensions) beyond the allowable maximum aggregate total of 720 days. In the event of such Subsequent Non-Bonds Default the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees, set forth in subparagraphs (5) and (6) (A), (B) and (C) of this paragraph (n), shall be deemed to commence at the installment rate determined in accordance with the following: if the Subsequent Non-Bonds Default occurs during the initial 90 days after the commencement the Foreclosure Period the actual date of said Subsequent Non-Bonds Default shall be treated as day 1 of the Foreclosure Period and the Foreclosure Period Extension Fees set forth above shall commence on the 181st day following the date of said Subsequent Non-Bonds Default at the applicable 30-day installment rate in accordance with the subparagraph (5) of this paragraph (n); if such Subsequent Non-Bonds Default occurs after the 90th day of the Foreclosure Period the 90th day of the Foreclosure Period shall be treated as day 1 of the Foreclosure Period and the Foreclosure Period Extension Fees shall, where the Subsequent Non-Bonds Default occurs between the 91st and the 270th days of the Foreclosure Period, commence on the 271st day of the Foreclosure Period at the 30-day installment rate applicable on the 181st day thereof (271 minus 90); and where the Subsequent Non-Bonds Default occurs between the 271st and the 720th days of the Foreclosure Period the Foreclosure Period Extension Fees shall commence on the actual date of the Subsequent Non-Bonds Default at the 30-day installment rate applicable on the 90th day preceding such actual date.

For illustrative purposes only the following two examples of the foregoing are provided:

Example 1. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 20th day after such commencement of the Foreclosure Period, the 20th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 200th day of the Foreclosure Period at the 30-day installment rate set forth in subparagraph (5) of this paragraph (n) (the 181st-270th day installment rate); alternatively, if the Subsequent Non-Bonds Default occurred on the 150th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period shall be treated as day 1 and said 150th day would be treated as day 60 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence 121 days thereafter (i.e. on the 271st day of the Foreclosure Period) at the 30-day installment rate applicable on the 181st day as set forth in subparagraph (5) of this paragraph (n) (the 181st-270th days rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure

Period at the 30-day installment rates set forth in subparagraphs (6) (A), (B) and (C) of this paragraph (n).

Example 2. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 70th day after such commencement of the Foreclosure Period, the 70th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 251st day of the Foreclosure Period at the 30-day installment rate set forth in subparagraph (5) of this paragraph (n) (the 181st-270th installment rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the 30-day installment rates set forth in subparagraphs (6) (A), (B) and (C) of this paragraph (n); alternatively, if the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 600th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period shall be treated as day 1 and the said 600th day would be treated as day 510 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 600th day of the Foreclosure Period at the 30-day installment rate which would be in effect on the 510th day as set forth in subparagraph (6) of this paragraph (n) (the 361st - 540th days rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the 30-day installment rates set forth in subparagraphs (6) (B) and (C) of this paragraph (n).

(ii) The Leasehold Mortgagee shall pay to the Port Authority the Foreclosure Period Extension Fees in the monthly installments determined in accordance with the foregoing immediately upon the commencement date established in accordance with the foregoing and on the first day of each 30-day period thereafter occurring during the Foreclosure Period.

(iii) The foregoing provisions of this subparagraph (7), however, shall not in any event extend, or be construed to extend, the Foreclosure Period beyond the maximum permissible aggregate total of 720 days (including all extensions) but subject to the tolling of the running of the Foreclosure Period pursuant to paragraph (t)(3) of this Section 92 or from the suspension of the running of the Foreclosure Period pursuant to the last sentence of the definition of the Foreclosure Period or paragraph (r)(1)(ii)(b) of this Section 92) from the initial commencement date of the Foreclosure Period.

(o) (1) The failure of the Leasehold Mortgagee to pay the Foreclosure Period Commencement Payments when due shall result in the automatic cancellation of the Leasehold Mortgagee's Reletting Rights (and of any Foreclosure Period) and of the Leasehold Mortgage, such cancellation to be deemed effective as of the Reletting Election Notice Service Date and there shall be no further Reletting Rights or Leasehold Mortgage with respect to the Mortgaged Premises hereunder and any Notice of Termination previously stayed shall become fully effective as described below. The failure of the Leasehold Mortgagee to timely pay any of the

Leasehold Mortgagee's Foreclosure Period Payments or to fully and duly perform any of the Leasehold Mortgagee's Foreclosure Period Obligations shall result in the termination of the Foreclosure Period and the Reletting Rights and the Leasehold Mortgage automatically without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become fully effective as described below. The failure of the Leasehold Mortgagee to pay any Foreclosure Period Extension Fee when due shall result in the automatic termination and non-extension of the Foreclosure Period and the automatic termination of the Leasehold Mortgage and the Reletting Rights without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become effective as described below. Notwithstanding anything herein to the contrary but without limiting subparagraph (2) below or paragraph (s) of this Section, the sole right or remedy of the Port Authority for the failure of the Leasehold Mortgagee to pay the Leasehold Mortgagee's Foreclosure Period Payments shall be the cancellation or termination (including non-extension) of the Leasehold Mortgagee's Reletting Rights (and of any Foreclosure Period) and of the Leasehold Mortgage.

(2) Upon any such termination or cancellation of the Foreclosure Period or any non-extension of the Foreclosure Period, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises and the Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said expiration, termination or cancellation of the Foreclosure Period in accordance with the Section of the Lease entitled 'Termination by the Port Authority' and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(p) Without limiting the terms and conditions of Sections 45 and 46 hereof and in addition thereto, during the Foreclosure Period, as to any and all portions of the Mortgaged Premises which the Lessee has vacated or from which the Lessee has been evicted, the Port Authority, until such time as the Trustee obtains an Approved Successor Lessee, may use or grant the use of a portion or portions of the Mortgaged Premises on a temporary basis (subject to a thirty (30) day right of termination by the Port Authority without cause) to other Aircraft Operators who have not conducted scheduled passenger aircraft operations at the Airport within the immediately prior thirty-six (36) calendar months, which shall be deemed a subuse under this Lease and shall not impair or limit any of the obligations or liabilities of the Lessee or the Leasehold Mortgagee; any net amount received by the Port Authority (after deducting all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith) shall be credited, as the Port Authority shall determine, either to the obligations of the Lessee to the Port Authority under this Lease and/or those obligations set forth in paragraph (n)(2)(B) of this Section. No such subuse shall be or be construed to be an acceptance of a surrender or a waiver of any claims, rights or remedies of the Port Authority or to be a reletting by the Leasehold Mortgagee or to limit the Reletting Rights of the Leasehold Mortgagee under this Section.

(q) In the event that at the expiration of the Foreclosure Period the Trustee has

failed to obtain an Approved Successor Lessee for the Mortgaged Premises in accordance with and subject to paragraphs (t) and (u) of this Section, the Reletting Rights and the Leasehold Mortgage shall terminate automatically and the Trustee shall have no further rights or obligations with respect to reletting, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises and the Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said expiration of the Foreclosure Period in accordance with the Section of the Lease entitled 'Termination by the Port Authority' and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(r) Lease Default-Lessee Bankruptcy

(1) (i) In the event of the occurrence of a Lessee Bankruptcy on or after the Reletting Rights Effective Date and the Foreclosure Period has not previously commenced,

(A) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns the Lease to an assignee which assignee also assumes the Lease subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, purchase price, redemption premium and interest on any of the Bonds) and there are then Bonds Outstanding then the Reletting Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises with Reletting Rights to a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(B) if the Lessee as debtor in possession or the bankruptcy trustee rejects the Lease, then the Reletting Election Period shall commence upon the Bankruptcy Rejection Date and the provisions of paragraphs (l)(2) and (n) hereof shall apply. For purposes hereof the term 'Bankruptcy Rejection Date' shall mean the later of (x) the date set forth in the order of the bankruptcy court as the effective date thereof for the rejection (or deemed rejection) of the Lease by the Lessee and (y) the actual date of such order of the bankruptcy court, and said Bankruptcy Rejection Date shall trigger the Reletting Election Period, provided, that the Leasehold Mortgagee shall submit to the Port Authority its Reletting Election Notice stating its election to exercise its Reletting Rights under this Lease, as above described, within the time provided in paragraph (l)(2) of this Section; and provided, further, however, that the foregoing shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of the Lease or the Lessee Bankruptcy. The foregoing shall not limit the rights granted hereunder to the Leasehold Mortgagee.

(ii) In the event of the occurrence of a Lessee Bankruptcy on or after the Reletting Rights Effective Date and the Foreclosure Period has previously commenced,

(A) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns the Lease to an assignee which assignee also assumes the Lease

subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, redemption premium and interest on the Bonds) and there are then Bonds Outstanding then the Reletting Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises with Reletting Rights to a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(B) if the Lessee as debtor in possession or the bankruptcy trustee rejects the Lease, then the running of the previously commenced Foreclosure Period shall be deemed suspended as of the date of the Lessee Bankruptcy and shall resume as of the occurrence of a Bankruptcy Rejection Date; provided, however, that the foregoing shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of the Lease or with respect to a Lessee Bankruptcy. The foregoing shall not limit the rights granted hereunder to the Leasehold Mortgagee, provided that the Leasehold Mortgagee fulfills all Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments.

(2) Upon the Bankruptcy Rejection Date the Leasehold Mortgagee shall, for purposes of this Section only, be the 'deemed Lessee' under this Lease and shall simultaneously with the service of its Reletting Election Notice pay the Leasehold Mortgagee's Foreclosure Period Commencement Payments, if not already paid, and shall thereafter satisfy all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments.

(s) In the event of the failure of the Leasehold Mortgagee to exercise its Reletting Rights by the timely service of its Reletting Election Notice and the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments in accordance with this Section, the Lease and the letting of the Mortgaged Premises shall be deemed terminated effective immediately on the Notice of Termination Effective Date (as such date may be extended subject to and in accordance with the terms of paragraph (l)(2) of this Section), or on the effective date of any other notice of termination served by the Port Authority in accordance with the Section of the Lease entitled 'Termination by the Port Authority', and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Trustee, the Mortgagee, the IDA or the Bondholders.

(t) (1) No entity, party or person other than an Approved Successor Lessee shall be entitled to become the owner of or acquire any interest in this Lease pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the Leasehold Mortgagee of its Reletting Rights or otherwise; and any entity, person or party proposed to become an Approved Successor Lessee ('Proposed Successor Lessee') shall become an Approved Successor Lessee only if the Leasehold Mortgagee duly exercises its Reletting Rights by submitting to the Port Authority its Reletting Election Notice stating its

election to exercise its Reletting Rights under this Lease (including as applicable the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees and the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees) and including therewith the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments and fulfills all the other Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments, and said Proposed Successor Lessee receives the approval of the Port Authority in advance. In determining whether to approve or disapprove a Proposed Successor Lessee, the Port Authority shall consider all relevant factors, including but not limited to, the following factors, but it is agreed that the Port Authority shall analyze all such factors in a reasonable manner:

(i) whether the Proposed Successor Lessee will be able to fulfill all of the Lessee's obligations under this Lease with respect to the Mortgaged Premises throughout the balance of the term of the letting hereunder or such lesser term as it proposes to lease;

(ii) whether the financial standing of the Proposed Successor Lessee as of the effective date of its acquisition of the leasehold hereunder is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Proposed Successor Lessee is able to fulfill all of the Lessee's obligations with respect to the Mortgaged Premises under this Lease throughout the balance of the term of the letting of the Mortgaged Premises hereunder or such lesser term as it proposes to lease which shall constitute the term of the proposed reletting; including without limitation the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory and shall also submit such financial statements and other financial information as the Port Authority may require;

(iii) whether the Proposed Successor Lessee and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest has as of the date of the proposed assignment/assumption a good reputation for integrity and financial responsibility and has not been convicted of or under current indictment for any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff); and

(iv) whether the Port Authority has had any 'unfavorable experience' with the Proposed Successor Lessee, or any of its officers, directors, or partners, or any person, firm or corporation (such officers, directors, partners, person, firm and corporation, being herein in this item (iv) individually and collectively referred to as a 'Reletting Party') having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest; 'unfavorable experience' as used herein shall mean any one or more of the following: (A) a material default by said Proposed Successor Lessee or any such Reletting Party of any obligation (monetary or non-monetary) to the Port Authority; (B) any assertion made by said Proposed Successor Lessee or any such Reletting Party against the Port Authority in any frivolous, false, malicious, or

unsupportable claim, demand or allegation or suit or proceeding; (C) any act or omission of said Proposed Successor Lessee or any such Reletting Party causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority; (D) any failure or refusal of said Proposed Successor Lessee or any such Reletting Party to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, Environmental Requirements, at any Port Authority facility; (E) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by said Proposed Successor Lessee or any such Reletting Party; or (F) any breach by said Proposed Successor Lessee or any such Reletting Party of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority;

(v) whether the Proposed Successor Lessee or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest is in conflict of interest, as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed acquisition; and

(vi) whether the Proposed Successor Lessee or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest has filed a voluntary petition in bankruptcy or has been adjudicated a bankrupt within five (5) years prior to the date of the proposed acquisition.

Without limiting any other term or provision hereof, the Proposed Successor Lessee must also agree in the Lease Assignment/Assumption and Consent Agreement, to pay all of the rentals, fees, charges and other amounts payable under and in accordance with the Lease, including without limitation the amounts described in paragraph (n) (2) (A) of this Section, and the amounts set forth in paragraph (n)(2)(B) of this Section. The Proposed Successor Lessee shall use and occupy the Mortgaged Premises for the purposes set forth in Section 5 hereof and shall be a major domestic or international Scheduled Aircraft Operator or consortium thereof and shall agree (or, if a consortium, shall agree jointly and severally) in the Lease Assignment/Assumption and Consent Agreement to use and occupy the Mortgaged Premises in accordance with all the terms and conditions of this Lease.

(2) Notwithstanding the foregoing, no acquisition, assignment, sale or transfer pursuant to this paragraph (t) shall be effective, and no Proposed Successor Lessee shall become an Approved Successor Lessee, or have any right to possess, use or occupy the Mortgaged Premises unless and until an assignment and assumption agreement, in the event of an assignment in lieu of foreclosure, or an assumption agreement, in the event of a foreclosure, whereby the Proposed Successor Lessee, effective on a date prior to or simultaneously with the expiration of the Foreclosure Period, assumes the obligations of the Lessee as if it were the

original tenant hereunder, has been executed by the Port Authority, the Lessee (except in the case of an assumption agreement, in the event of a foreclosure, in which case the signature of the Lessee shall not be required and the Lessee hereby expressly so agrees), the Proposed Successor Lessee and the Leasehold Mortgagee (said fully executed agreement in either case, the 'Lease Assignment/Assumption and Consent Agreement'); subject to the payment of the Deferred Reletting Fee as set forth in paragraph (u) of this Section. The said effective date of the Lease Assignment/Assumption and Consent Agreement is herein referred to as the 'Lease Assignment/Assumption Commencement Date', provided that where the Leasehold Mortgagee has commenced proceedings to foreclose the Leasehold Mortgage, and for purposes of the continuation of the Foreclosure Period Extension Fees (as provided in paragraph (n) of this Section), such date shall be deemed to have occurred only upon the successful completion by the Leasehold Mortgagee prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 720 days) (except as the running of said 720 day Foreclosure Period may be tolled as provided in paragraph (t)(3) of this Section or suspended as provided in the last sentence of the definition of the Foreclosure Period or paragraph (r)(1)(ii)(B) of this Section) of the foreclosure and eviction proceedings described in paragraph (n) (4) of this Section; provided, further, however, that in the event the Leasehold Mortgagee does not in fact successfully complete the foreclosure of the Leasehold Mortgage and eviction proceedings as described in paragraph (n) (4) of this Section prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 720 days (except as the running of said 720 day Foreclosure Period may be tolled as provided in the last sentence of the definition of the Foreclosure Period or paragraph (t)(3) of this Section or suspended as provided in paragraph (r)(1)(ii)(B) of this Section) the Lease Assignment/Assumption and Consent Agreement shall be null and void and of no force or effect. The Lease Assignment/Assumption Agreement shall be substantially in the forms used by the Port Authority at the time of the foreclosure or assignment in lieu of foreclosure for the assignment and assumption or assumption, as the case shall be, of leases at the Airport and shall contain such other terms and conditions as the Port Authority may determine to be necessary or desireable to effectuate such assignment and assumption or assumption.

(3) It is understood and agreed that after the Leasehold Mortgagee has obtained a Proposed Successor Lessee and has promptly submitted to the Port Authority all required and necessary information and materials (provided, however, that failure by the Leasehold Mortgagee to give such written notice promptly shall not be deemed to be a violation of the terms of this Section or the Consent Agreement and shall not be deemed to impair the Reletting Rights of the Leasehold Mortgagee except that there shall be no Approved Successor Lessee where the Port Authority is unable to make a determination resulting from such failure of the Leasehold Mortgagee; provided, further, however, that such failure by the Leasehold Mortgagee to promptly give such notice and information to the Port Authority shall also mean that there shall be no tolling of the Foreclosure Period or of the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees under this paragraph (t) (3)), in accordance with subparagraph (1) of this paragraph (t), to enable the Port Authority to determine whether it will approve such Proposed Successor Lessee as an Approved Successor Lessee (which determination includes the signing by the Port Authority, the Lessee (in the case of an assignment in lieu of foreclosure) and the Approved Successor Lessee of the Lease Assignment/Assumption and Consent Agreement), the running of the Foreclosure Period shall be

deemed tolled pending such determination by the Port Authority, such determination to be made promptly and reasonably by the Port Authority, provided, however, that no such tolling shall be effective unless the Leasehold Mortgagee promptly continues to submit such additional information and material as may be reasonably required by the Port Authority for its making of its determination. Such tolling shall also toll the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees, but none of the other Leasehold Mortgagee's Foreclosure Period Obligations.

(u) Deferred Reletting Fee:

(1) Anything to the contrary herein notwithstanding, (i) no Port Authority consent shall be granted to any Approved Successor Lessee and no Proposed Successor Lessee or any other entity, person or party shall become an Approved Successor Lessee unless and until either (A) the Leasehold Mortgagee or the Proposed Successor Lessee shall pay to the Port Authority prior to the effective date of any right of the Approved Successor Lessee to possess or commence any use or occupancy of the Mortgaged Premises and prior to any such actual possession or commencement by any such Approved Successor Lessee in a single lump sum payment the full amount of the Deferred Reletting Fee, as defined below, or (B) at the election of the Approved Successor Lessee, in lieu of said single lump sum payment, the Approved Successor Lessee shall agree to pay the Deferred Reletting Fee over time in Deferred Reletting Fee Rental, as defined below, commencing as of the Lease Assignment/Assumption Commencement Date which election shall be stated in the Lease Assignment/Assumption and Consent Agreement subject to subparagraph (4) of this paragraph (u); and (ii) in the case of the foregoing (i) (B), any such Port Authority consent to any Approved Successor Lessee is and shall be expressly conditioned on the agreement of the Proposed Successor Lessee to make continuing payments to the Port Authority of the Deferred Reletting Fee Rental under subparagraph (4) of this paragraph (u); provided, however, that the Approved Successor Lessee shall also submit to the Port Authority such additional security as the Port Authority may reasonably require and in such amount and form as the Port Authority may determine to be appropriate to secure the obligation of the Approved Successor Lessee to pay said Deferred Reletting Fee Rental.

(2) 'Deferred Reletting Fee' shall mean the fee payable to the Port Authority in a single lump sum payment by the Leasehold Mortgagee or the Approved Successor Lessee, as aforesaid, and which shall be determined by applying the following formula:

DRF = MA x Y x C

Where DRF equals the Deferred Reletting Fee.

MA equals the Mortgage Amount hereunder.

Y equals a fraction the numerator of which shall be the greater of (i) the actual number of full years then remaining in the term of the letting of the Mortgaged Premises hereunder at the Reletting Election Notice Service Date and (ii) the number five (5), and the denominator of which shall be the total number of years between the Supplement One Effective Date, as defined in Supplement No. 1 of

this Lease and the earlier of (i) the day preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036.

C equals (i) 2% in the event the Foreclosure Period commenced on the basis of a Bonds Default, and a Subsequent Non-Bonds Default did not occur thereafter during the Foreclosure Period; (ii) 3% in the event the Foreclosure Period commenced on the basis of the occurrence of a Lease Termination or Bankruptcy Rejection Date, and a Bonds Default did not subsequently occur; or (iii) 4% in the event the Foreclosure Period commenced on the basis of a Bonds Default and thereafter a Subsequent Non-Bonds Default occurred, or the Foreclosure Period commenced on the basis of a Lease Termination or Bankruptcy Rejection Date, and thereafter a Bonds Default occurred.

(3) Subject to (4) below, the Deferred Reletting Fee shall be due and payable in full to the Port Authority by the Leasehold Mortgagee or the Approved Successor Lessee in a single lump sum payment on the Lease Assignment/Assumption Commencement Date (and in any event prior to any use, occupancy or possession of the Premises by the Approved Successor Lessee).

(4) In the event the Approved Successor Lessee elects to pay to the Port Authority the Deferred Reletting Fee in accordance with clause (i) (B) of subparagraph (1) of this paragraph (u) then the following provisions shall be and become immediately effective as part of the rental obligations of the Approved Successor Lessee as the lessee under the Lease and as part of the rental obligations assumed by the Approved Successor Lessee under the Lease Assignment/Assumption and Consent Agreement:

"(A) 1. 'Deferred Reletting Fee' shall have the meaning as defined in paragraph (u)(2) of Section 92 of the Lease.

2. 'Deferred Reletting Fee Rental Commencement Date' shall mean, with respect to the Deferred Reletting Fee Rental established on the basis of the Deferred Reletting Fee, the Lease Assignment/Assumption Commencement Date; provided, however, that if the Deferred Reletting Fee Rental Commencement Date shall occur on other than the first day of a calendar month, the Deferred Reletting Fee Rental Commencement Date shall mean the first day of the calendar month immediately following the month in which the aforesaid Lease Assignment/Assumption Commencement Date occurs.

3. 'Deferred Reletting Fee Rental Period' shall mean the period commencing on the Deferred Reletting Fee Rental Commencement Date and ending on the earlier of (i) the day preceding the tenth (10th) year anniversary of the Deferred Reletting Fee Rental Commencement Date and (ii) the expiration date of the then remaining term of the letting of the Mortgaged Premises after the Deferred Reletting Fee Rental Commencement Date.

4. 'Monthly Factor' shall mean the factor derived in accordance herewith by the application of the following formula:

$$\frac{1}{\frac{1}{i} - \frac{1}{i\,(1+i)^t}} = \text{Monthly Factor}$$

Where i is an annual percentage rate expressed in decimal form equal to the sum of (x) the Fixed RBI Rate (as herein defined in item 5 below) plus (y) 1.5% (150 basis points), divided by twelve (12); and where t (a power) equals the number of calendar months (expressed in whole numbers) from the Deferred Reletting Fee Rental Commencement Date to the earlier of (i) the day preceding the tenth (10th) year anniversary of the Deferred Reletting Fee Rental Commencement Date and (ii) the expiration date of the then remaining term of the letting of the Mortgaged Premises after the Deferred Reletting Fee Rental Commencement Date.

5. 'Fixed RBI Rate' as applicable to and determined for the Deferred Reletting Fee Rental hereunder shall mean the percentage reported as the weekly index of the Bond Buyer Revenue Bond Index as reported in the publication 'The Bond Buyer' during the calendar week immediately preceding the Deferred Reletting Fee Rental Commencement Date. In the event that the Bond Buyer or its weekly Bond Buyer Revenue Bond Index shall be discontinued during the term of this Lease, a comparable substitute for such Index shall be mutually agreed upon in writing by the Lessee and the Port Authority within thirty (30) days after such discontinuance. In the event that the Lessee and the Port Authority shall fail to agree upon such a substitute within the time hereinabove specified then upon notice of either party such dispute shall be disposed of by arbitration in accordance with then existing rules of the American Arbitration Association or any successor association. One half of the cost of said arbitration shall be borne by the Port Authority and the other half of said cost shall be borne by the Lessee.

(B) Computation and Payment

Commencing on the Deferred Reletting Fee Rental Commencement Date the Lessee shall pay to the Port Authority a rental (herein called the 'Deferred Reletting Fee Rental') which Deferred Reletting Fee Rental shall be an amount payable on the first day of each and every calendar month during the Deferred Reletting Fee Rental Period which shall be equal to the product obtained by multiplying the Monthly Factor by the Deferred Reletting Fee (as defined in paragraph (u)(2) of this Section) as determined on the day immediately preceding the Deferred Reletting Fee Rental Commencement Date.

(C) The Deferred Reletting Fee Rental shall be payable in the same manner and collectible with like remedies as if the same were part of the Rentals (as defined in Section 4 of this Lease), except that such payment shall not be subject to abatement or suspension for any reason whatsoever.

(D) Notwithstanding any obligation of the Lessee to pay the Deferred Reletting Fee Rental as part of the rental obligations of the Lessee hereunder, the Lessee hereby, as a separate and independent covenant, agrees and promises to pay to the Port Authority the 'Deferred Reletting Fee Payment Amount' which for purposes hereof shall mean the total amount of installments and payments to be paid by the Lessee as Deferred Reletting Fee Rental to the extent not actually paid by the Lessee as Deferred Reletting Fee Rental as set forth above. The Deferred Reletting Fee Payment Amount shall be due and payable by the Lessee to the Port Authority immediately upon any termination, expiration, non-extension or cancellation of the Lease. Said obligation and agreement of the Lessee to pay the Deferred Reletting Fee Payment Amount to the Port Authority shall survive any termination, expiration, non-extension or cancellation of the Lease."

(v) The Leasehold Mortgagee shall not be entitled to foreclose its Leasehold Mortgage or to have the Lessee's interest assigned in lieu of such foreclosure unless at least thirty (30) days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee shall have given the Port Authority written notice of its intention to foreclose or to have this Lease assigned with respect to the Mortgaged Premises which notice shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority shall have the right, following the giving of such notice by the Leasehold Mortgagee, to tender to the Leasehold Mortgagee the total amount specified in such notice from the Leasehold Mortgagee, including per diem interest through the date of such tender, and upon such tender the Leasehold Mortgage shall terminate and be of no further force and effect. Promptly following the tender of such amount specified in such notice from the Leasehold Mortgagee by the Port Authority, the Lessee shall cause to be executed a satisfaction of the Leasehold Mortgage, cause the same to be filed in the Office of the City Register for Queens County and take all other and additional actions that are required in order to discharge the lien of the Leasehold Mortgage as of record. If the Port Authority shall fail to notify the Leasehold Mortgagee within the thirty (30) day period specified in the notice of its intention to terminate the Leasehold Mortgage the Leasehold Mortgagee shall be entitled with respect to the Mortgaged Premises to proceed to foreclose the Leasehold Mortgage or to accept an assignment in lieu of foreclosure in accordance with the provisions of this Lease.

(w) No sale, transfer or assignment by the Lessee of its interest in this Lease to the Port Authority shall create a merger between the estates of the Port Authority and the Lessee unless the Port Authority, the Lessee and the Leasehold Mortgagee shall specifically consent to such merger in writing, nor shall any such sale, transfer or assignment be deemed to affect or

diminish the liabilities of the Lessee named in this Lease, whether for survived damages or otherwise.

(x) Each and every provision stated herein to be or become a right or an obligation of the Trustee or of the Leasehold Mortgagee shall be included in the Consent Agreement (by reference to this Lease or otherwise) as among the rights and obligations of the Trustee, and in Leasehold Mortgage as among the rights and obligations of the Leasehold Mortgagee under the Leasehold Mortgage, and each and every provision stated herein to be or become an obligation of the Approved Successor Lessee shall be deemed included in the obligations assumed by the Approved Successor Lessee by its acquisition of the Mortgaged Premises, the Lease with respect thereto and by its execution of the Lease Assignment/Assumption and Consent Agreement.

(y) (1) If the Leasehold Mortgagee shall obtain an Approved Successor Lessee such Approved Successor Lessee shall acquire the Lease with respect to the Mortgaged Premises with no further right to mortgage or pledge the leasehold, and shall have no right to assign the Lease with respect to the Mortgaged Premises other than the limited right of assignment provided under Section 19 hereof.

(2) Nothing herein shall or shall be deemed to release or relieve the Lessee from any terms, provisions, covenants or conditions to be kept, performed or observed by the Lessee under this Lease or under the Consent Agreement.

(3) Nothing herein shall constitute or be deemed to constitute any waiver by the Port Authority of any of its rights or remedies to evict the Lessee in the event the Port Authority terminates the Lease pursuant to the Section of this Lease entitled 'Termination by the Port Authority' and the Leasehold Mortgagee fails to properly exercise its Reletting Rights or to obtain an Approved Successor Lessee in accordance with the provisions hereof.

(5) Except for the rights granted herein to the Leasehold Mortgagee, nothing herein shall constitute any waiver, impairment or limitation of any of claims, rights or remedies of the Port Authority based upon any event of default or based on any rejection of the Lease resulting from a Lessee Bankruptcy or based on any Lessee Bankruptcy.

(6) This Section and the right of the Lessee to grant the Leasehold Mortgage and the right of the Trustee to take the Leasehold Mortgage are and shall be rights granted and effective only as to the Lessee hereunder and are exercisable one time only as above provided, and shall not extend, obtain or apply to any Approved Successor Lessee or other entity or Person who may become a tenant or lessee of the Premises or any portion thereof with no further right to grant a Leasehold Mortgage. Any Scheduled Aircraft Operator, including without limitation any Section 19 Assignee, to which the Lease is assigned with the consent of the Port Authority shall take the Lease subject to this Section 92 and the prior exercise by the Lessee of said one time right to grant a Leasehold Mortgage and shall not have any further right to grant a Leasehold Mortgage.

(7) Neither this Section nor anything contained herein nor any action taken or

not taken hereunder shall impair, restrict or limit the rights of the Port Authority under Section 46 hereof.

(z) Notices, statements and requests by or to the Trustee (Leasehold Mortgagee) under the provisions of this Section shall be governed by Section 32 of the Lease entitled 'Notices' and shall be given to the Trustee at its address specified in paragraph (j)(2) of this Section.

"Section 93. No Third Party Beneficiary

There shall be no third-party beneficiaries of this Agreement. This Agreement shall be effective only as between the parties hereto (and their successors and assigns, if, as and to the extent permitted under this Agreement), and shall not be construed as creating or conferring upon any Person or entity any right, remedy or claim under or by reason of this Agreement. Notwithstanding the foregoing, nothing in this Section 93 shall deprive the Leasehold Mortgagee of any of the rights granted to the Leasehold Mortgagee under Section 92 of the Lease."

"Section 94. Additional Lessee Covenants

(a) (1) The Lessee agrees that, except as provided in subparagraph (a)(2) below, that in negotiating the provisions of the City-American Lease with the City or its designee, which designee shall for the purposes of this Section 94 exclude the Port Authority, the Lessee will not, without the prior written permission of the Port Authority, execute the City-American Lease unless the term of the City-American Lease shall commence on the day first following the day after the Expiration Date and shall end on the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036.

(2) The Lessee further agrees that if the City and the Port Authority shall, either before or after the execution of the City-American Lease, reach mutual written agreement on a different date that the term of the City-American Lease shall commence, whether in the Basic Lease, the Airport Lease, a future agreement to enter into lease by another tenant with the City for a portion of the Airport, or some similar agreement affecting the Airport (which different date that the term of the City-American Lease shall commence is herein referred to as the 'New Commencement Date'), the Lessee will, at the written request of the City and the Port Authority, enter into an agreement or agreements amending the City Agreements to reflect that the commencement of the term of the City-American Lease shall be the New Commencement Date.

(b) (1) In the event that a deed is executed and delivered transferring fee title to the Airport to the Port Authority, the Lessee shall, at the written request of the City and the Port Authority, enter into an agreement or agreements providing, and/or furnish evidence satisfactory to the Port Authority, that each of the City Agreements and all other agreements relating to the Lessee's letting of the premises under this Lease with the City or its designee (excluding the Port

Authority) has been surrendered, cancelled, terminated or revoked or shall have expired, and are of no further force or effect.

(2) In the event that an Airport Lease Extension Agreement shall extend the Airport Lease to any date after the Final Lease Extension Date (as defined in Section 3 hereof), the Lessee agrees that it will at the written request of the City and the Port Authority, enter into an agreement or agreements amending the American-City Agreement and/or the City-American Lease or with respect to the American-City Agreement and/or the City-American Lease containing such terms and provisions as the City and the Port Authority shall both request in writing.

(c) (1) The Lessee agrees that in the event that after the commencement of the City-American Lease or after the Lessee has attorned to the City under the RNDA, if the City and the Port Authority come to an agreement and enter into an Airport Lease Extension Agreement (which includes the Premises), at the written request of the City and the Port Authority, the Lessee shall (i) enter into an agreement that confirms that the Lease continues, or is reinstated, as a Lease between the Lessee and the Port Authority on the terms set forth in the Lease without any modifications thereto and (ii) enter into any other agreement or agreements necessary to effectuate the purpose of such Airport Lease Extension Agreement (which includes the Premises).

(2) The Lessee agrees that in the event that after the commencement of the City-American Lease or after the Lessee has attorned to the City under the RNDA, a court of competent and final jurisdiction in the event that the City-American Lease has commenced, determines that the City-American Lease is not valid and that the Lease is still in full force and effect or in the event that the Lessee has attorned to the City under the RNDA, determines that the Airport Lease was not terminated, the Lessee shall (i) enter into an agreement that confirms that the Lease continues, or is reinstated, as a Lease between the Lessee and the Port Authority on the terms set forth in the Lease without any modifications thereto subject however to Section 3 (d) of this Lease and (ii) enter into any other agreement or agreements necessary to effectuate such final and non-appealable court decision.

(d) The Lessee agrees that it will not sell, convey, transfer, mortgage, pledge or assign any of the City Agreements unless the assignee agrees to be bound by the covenants contained in this Section 94. The Lessee further agrees that such assignment will provide that the term of the City-American Lease shall not be effective until the day first following the day after the Expiration Date, but if there is a New Commencement Date, then such assignment will provide that the term of the City-American Lease shall not be effective until the New Commencement Date.

(e) The Lessee agrees that if any of the City Agreements or such other lease have been recorded, the Lessee shall, if the City has consented in writing, cause to be recorded an amendment to each recorded City Agreement reflecting a New Commencement Date, or a release of such recorded City Agreement, as appropriate.

(f) The Lessee agrees that nothing contained in the City Agreements, or any

of them, or in Section 3 of this Lease, or in the First Supplemental Agreement, shall waive, relieve, excuse or forgive or shall be deemed to have waived, relieved, excused or forgiven the obligation of the Lessee to pay all rentals and other amounts payable to the Port Authority pursuant to this Lease.

(g) Without limiting the generality of the terms and conditions of Section 13 of the Lease entitled "Indemnity and Liability Insurance" or paragraph (e)(7) of Section 3 of this Lease, the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands whatsoever including without limitation direct, indirect, consequential or unforeseen damages, of third persons, including without limitation the City, resulting from or in connection with any breach or default of the Basic Lease by the Port Authority or the City arising out of or in connection with the City Agreements or any of them, the Leasehold Mortgage or any of the terms and provisions thereof, or the terms and provisions of paragraph (e)(2)(iv) of Section 3 of the Lease. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(h) The Lessee agrees that it shall not claim that the American-City Agreement constitutes or shall constitute or creates any estate or other property right or property interest in the Premises.

(i) Without limiting the generality of paragraph (h) of this Section 94, the Lessee further agrees that it shall not claim that the City Agreements constitute or create any estate, right or interest in the Premises subsequent to the Final Lease Extension Date.

(j) Paragraphs (a)(2), (b), (c)(1), (g) and (h) of this Section 94 shall survive the expiration or termination of this Lease."

5. Paragraph (a) of Section 19 of the Lease shall be amended to read as follows:

"(a) (1) (A) The Lessee covenants and agrees that it will not sell, convey, transfer, mortgage, pledge or assign this Agreement or any part thereof, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; provided, however, that this Agreement may be assigned in its entirety (by operation of law or otherwise) without such consent to any successor in interest of the Lessee which is or is to be a Scheduled Aircraft Operator, and into which the Lessee may merge or with which the Lessee may consolidate, or which may succeed to the assets of the Lessee or the major portion of its assets related to its air transportation system, if immediately following the merger, consolidation or assignment either (i) the entity which then is the Lessee has a Tangible Net Worth equal to at least

95% of that of the Lessee immediately preceding the merger, consolidation or assignment or (ii) the entity which then is the Lessee has Debt (as defined below) that is rated by both Rating Agencies (as defined below) at or above Investment Grade (as defined below) provided that if the Lessee's Debt is then not rated by both Rating Agencies and is only rated by one of the Rating Agencies, the rating then given by that Rating Agency rating the Lessee's Debt shall be used (the tests stated in the foregoing clauses (i) and (ii) collectively the "Financial Tests"); or, in the event neither of the Financial Tests is satisfied, if the Lessee prior to the effectuation of such assignment submits to the Port Authority the Consent Security Deposit, but in any such events, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by aircraft, and provided, further, that such succeeding entity or purchaser executes and delivers to the Port Authority an instrument in a form satisfactory to the Port Authority assuming the obligations of the Lessee as if it were the original tenant hereunder; such assignee but only after it has executed and delivered the said instrument to the Port Authority and submitted to the Port Authority the Consent Security Deposit and in compliance with all of the foregoing shall then be deemed to be the 'Lessee' under this Lease and all references to the 'Lessee' shall be deemed to refer to such assignee and in accordance with the said assumption instrument.

(B) As used in the preceding subparagraph (A), the term "Tangible Net Worth" shall mean the difference between the Lessee's total assets and the sum of (i) the Lessee's intangible assets and (ii) the Lessee's total liabilities; the term "Debt" shall mean all obligations of the entity which then is the Lessee that are evidenced by indebtedness which are considered or known as senior unsecured long-term indebtedness; the term "Grade" shall mean that evaluation of the quality of such Debt as determined by the Rating Agencies (as hereinafter defined); the term "Rating Agencies" shall mean Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and Moody's Investors Service, Inc. or, in the event of the cessation of business of either, another nationally recognized rating agency firm or firms which is in the business of evaluating the degree of financial risk associated with debt securities and makes such information available to the investment community and as may be designated as a rating agency at any such time during the term of this Agreement by the Port Authority; the term "Investment Grade" shall mean a Grade of "BBB-" or higher by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. or "Baa3" or higher by Moody's Investors Service, Inc. or such other equivalent designation that any of such Rating Agencies may use publicly in the future to designate the relative investment qualities of debt securities and to differentiate between those investments that are investment grade and those that are not;

(2) In the event that the Lessee becomes the possessor (surviving) corporation in a merger without the prior written approval of the Port Authority and neither of the Financial Tests is satisfied, the Lessee shall submit to the Port Authority within fifteen (15) days following such merger all appropriate information and documentation sufficient to allow the Port Authority to determine whether the Financial Tests are satisfied. Thereafter if the Port Authority determines that neither of the Financial Tests is satisfied the Port Authority shall by written notice advise the Lessee of the same and the Lessee shall submit the Consent Security Deposit to the Port Authority not later than fifteen (15) business days following said notice from the Port Authority (the 'Consent Security Deposit Delivery Date'). The Consent Security Deposit

required under subparagraphs (1) and (2) of this paragraph (a) shall be subject to the following subparagraphs (i) and (ii) as well as to subparagraph (4) below:

(i) Upon the Consent Security Deposit Delivery Date, the Lessee shall deposit with the Port Authority and shall keep deposited throughout the term of this Agreement, the Consent Security Deposit (as defined in subparagraph (3) hereof) in cash, or bonds of the United States of America, or of the Port Authority of New York and New Jersey, having a market value of that amount, as security for the full, faithful and prompt performance of and compliance with, on the part of the Lessee, all of the provisions, terms, covenants and conditions of this Agreement on its part to be fulfilled, kept, performed or observed and as security for the payment of all other rentals, fees, charges and obligations owed or which may become due and owing to the Port Authority arising from the Lessee's operations at the Airport, whether covered by a written agreement or otherwise the "Secured Obligations". Bonds qualifying for deposit hereunder shall be in bearer form but if bonds of that issue were offered only in registered form, then the Lessee may deposit such bond or bonds in registered form, provided, however, that the Port Authority shall be under no obligation to accept such deposit of a bond in registered form unless such bond has been reregistered in the name of the Port Authority (the expense of such re-registration to be borne by the Lessee) in a manner satisfactory to the Port Authority. The Lessee may request the Port Authority to accept a registered bond in the Lessee's name and if acceptable to the Port Authority the Lessee shall deposit such bond together with a bond power (and such other instruments or other documents as the Port Authority may require) in form and substance satisfactory to the Port Authority. In the event the Consent Security Deposit is returned to the Lessee, any expenses incurred by the Port Authority in re-registering a bond to the name of the Lessee shall be borne by the Lessee. In addition to any and all other remedies available to it, the Port Authority shall have the right, at its option, at any time and from time to time, with or without notice to use the said Consent Security Deposit or any part thereof in whole or partial satisfaction of any of its claims or demands against the Lessee. There shall be no obligation on the Port Authority to exercise such right and neither the existence of such right nor the holding of the Consent Security Deposit itself shall cure any default or breach of the Agreement on the part of the Lessee. In the event that the Port Authority shall at any time or times so use the Consent Security Deposit, or any part thereof, or if bonds shall have been deposited and the market value thereof shall have declined below the required amount of the Consent Security Deposit as specified in subparagraph (3) below, the Lessee shall, on demand of the Port Authority and within two (2) days thereafter, deposit with the Port Authority additional cash or bonds so as to maintain the Consent Security Deposit at all times to the full amount above stated, and such additional deposits shall be subject to all the conditions of paragraph (a)(2) of this Section 19. After the later to occur of (x) expiration or earlier termination of this Agreement or any extension thereof and (y) the cessation of activity of the Lessee at the Airport and upon condition that the Lessee shall then be in no wise in default under any part of this Agreement, as this Agreement may have been amended or extended, or other obligations to the Port Authority, arising from the Lessee's operations at the Airport and upon written request therefor by the Lessee, the Port Authority will return the said Consent Security Deposit to the Lessee less the amount of any and all unpaid claims and demands (including estimated damages) of the Port Authority by reason of any default or breach by the Lessee of this Agreement or any part thereof, or any other obligation of the Lessee to the Port Authority arising from the Lessee's operations at the Airport and less any other fees, charges and obligations owed to the Port Authority arising from the Lessee's

operations at the Airport. The Lessee agrees that it will not assign or encumber the said Consent Security Deposit and any such assignment or encumbrances shall be void as to the Port Authority. The Lessee may collect or receive annually any interest or income earned on bonds and interest paid on cash deposited in interest bearing bank accounts less any part thereof or amount which the Port Authority is or may hereafter be entitled or authorized by law to retain or to charge in connection therewith, whether as or in lieu of administrative expense or custodial charge, or otherwise, provided, however, that the Port Authority shall not be obligated by this provision to place or to keep cash deposited hereunder in interest bearing bank accounts. Without limiting the foregoing provisions of this Section, with respect to any bonds deposited by the Lessee, the Port Authority shall have the right, in order to satisfy any of its claims or demands against the Lessee, to sell the same in whole or in part, at any time and from time to time, with or without prior notice, at public or private sale, all as determined by the Port Authority together with the right to purchase the same at such sale free of any claims, equities or rights of redemption of the Lessee. The Lessee hereby waives all right to participate therein and all right to prior notice or demand of the amount or amounts of the Port Authority's claims or demands against the Lessee. The proceeds of any such sale shall be applied by the Port Authority first to the costs and expenses of the sale (including but not limited to any advertising or commission expenses) and then to the amounts due the Port Authority from the Lessee with respect to the Secured Obligations. Any balance remaining shall be retained in cash toward bringing the Consent Security Deposit to the sum specified in subparagraph (3) hereof provided that this shall not relieve the Lessee from maintaining the Consent Security Deposit in the full amount stated in subparagraph (3) hereof.

(ii) In lieu of the cash or bonds Consent Security Deposit described in paragraph (a)(2)(i) of this Section 19, the Lessee may, at its option cause to be delivered to the Port Authority on the Consent Security Deposit Delivery Date as security for the Secured Obligations, whether covered by a written agreement or otherwise, a clean irrevocable letter of credit issued to and in favor of the Port Authority, by a banking institution having an office within the Port of New York District and acceptable to the Port Authority, payable in the Port of New York District, in the amount of the Consent Security Deposit. The form and terms of such letter of credit, as well as the institution issuing it, shall be subject to the prior and continuing approval of the Port Authority. Such letter of credit shall provide that it shall continue during the term of this Agreement and for a period of not less than six (6) months thereafter; such continuance may be by provision for automatic renewal or by substitution of a subsequent satisfactory clean irrevocable letter of credit. If requested by the Port Authority, said letter of credit shall be accompanied by a letter expressing the opinion of counsel for the banking institution that the issuance of said clean, irrevocable letter of credit is an appropriate and valid exercise by the banking institution of the corporate power conferred upon it by law. Upon notice of cancellation of a letter of credit the Lessee agrees that unless, by a date twenty (20) days prior to the effective date of cancellation, the letter of credit is replaced by security in accordance with subparagraph (i) above or another letter of credit satisfactory to the Port Authority, the Port Authority may draw down the full amount thereof without statement of default and thereafter the Port Authority will hold the same as Consent Security Deposit under paragraph (a)(2)(i) of this Section 19. Failure to provide such a letter of credit, if required as the Consent Security Deposit, at any time during the term of this Agreement, valid and available to the Port Authority, including any failure of any banking institution issuing any such letter of credit previously

accepted by the Port Authority to make one or more payments as may be provided in such letter of credit shall be deemed to be a breach of this Agreement on the part of the Lessee. Upon acceptance of such letter of credit by the Port Authority, and upon request by the Lessee made thereafter, the Port Authority will return the Consent Security Deposit, if any, theretofore made under and in accordance with the provisions of paragraph (a)(2)(i) of this Section 19. The Lessee shall have the same rights to receive such Consent Security Deposit during the existence of a valid letter of credit as it would have to receive such sum upon expiration of the letting under this Agreement and fulfillment of the obligations of the Lessee hereunder and thereunder. If the Port Authority shall make any drawing under a letter of credit held by the Port Authority hereunder, the Lessee on demand of the Port Authority and within two (2) days thereafter, shall bring the letter of credit back up to its full amount. No action by the Port Authority pursuant to the terms of any letter of credit, or receipt by the Port Authority of funds from any bank issuing any such letter of credit, shall be or be deemed to be a waiver of any default by the Lessee under the terms of this Agreement and all remedies of this Agreement and of the Port Authority consequent upon such default shall not be affected by the existence of a recourse to any such letter of credit.

(iii) For purposes of the foregoing, the Lessee hereby certifies that its I.R.S. Employee Identification No. is (Ex. 1) - -, and in the event of a change in said I.R.S. Employee Identification No. resulting from a merger the Lessee shall immediately certify its new I.R.S. Employee Identification No. in writing to the Port Authority.

(3) For purposes of this paragraph (a) the term 'Consent Security Deposit' shall mean an aggregate amount equal to (x) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever) payable to the Port Authority by the Lessee arising out of or in connection with or due from its activities, operations, leases, permits or other agreements at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (x) being limited however to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period with said sum to be determined by the Port Authority; plus (y) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever), if any, payable to the Port Authority by the entity with which the Lessee merges or consolidates or to which the Lease is assigned arising out of or in connection with or due to its activities, operations, leases, permits or other agreements, if any, at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (y) being limited however to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period, with said sum to be determined by the Port Authority. In the event the Consent Security Deposit is delivered pursuant to subparagraph (1) above, the terms, provisions and conditions governing the use of said Consent Security Deposit shall be set forth in the assumption instrument referred to therein.

(4) In the event that a Consent Security Deposit is required to be posted under this Lease and at any time thereafter the entity which is then the Lessee does satisfy either of the Financial Tests and provides to the Port Authority satisfactory evidence thereof, the Port Authority promptly shall refund the Consent Security Deposit to the Lessee, less any amounts then due and unpaid by the Lessee under the Lease beyond the due date thereof."

6. The definition of "Lease AYB-085 Premises" set forth in Section 91 of the Lease is hereby amended as follows: the word "cross hatching" on the first line of said definition shall be deemed amended to read "stipple diagonal hatching".

7. Each party represents and warrants to the other that no broker has been concerned in the negotiation of this First Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. Each party shall indemnify and save harmless the other party of and from any and all claims for commissions or brokerage made by any and all Persons, firms or corporations whatsoever for services provided to or on behalf of the indemnifying party in connection with the negotiation and execution of this First Supplemental Agreement.

8. No Commissioner, director, officer, agent or employee of any party to this First Supplemental Agreement shall be charged personally or held contractually liable by or to any other party under any term or provision of this First Supplemental Agreement or of any supplement, modification or amendment to the Lease or because of its or their execution or attempted execution or because of any breach or alleged or attempted breach thereof.

9. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

10. This First Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee and the Port Authority agree that no representations or warranties shall be binding upon the other unless expressed in writing in the Lease or in this First Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

Assistant Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

Francis DiMola

(Title) Assistant Director - Aviation

(Corporate Seal)

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) President

(Corporate Seal)

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By_____

(Title)_____

(Corporate Seal)

ATTEST:

AMERICAN AIRLINES, INC.

_____
Secretary

By_____
Vice President

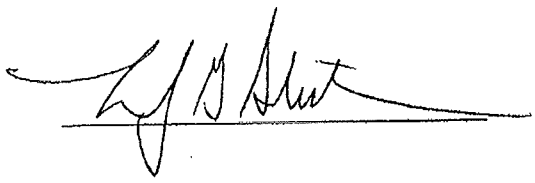
(Corporate Seal)

ACKNOWLEDGEMENT

FOR THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

STATE OF NEW YORK)
)ss.
COUNTY OF NEW YORK)

On the 29th day of July in the year 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Francis DiMola, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



TIMOTHY G. STICKELMAN
Notary Public, State of New York
No. 01ST4817298
Qualified in Suffolk County
Commission Expires March 30, 2003

FOR AMERICAN AIRLINES, INC.

STATE OF TEXAS)
)ss.
COUNTY OF TARRANT)

On the 29th day of July in the year 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Beverly K. Goulet, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

(notarial seal and stamp)

EXHIBITS
3.1
3.2

refer to items

#4 - Agreement Towards Entering into a Lease
and
#5 - Recognition, Non-Disturbance and Attornment Agreement

of the records of proceedings

SECOND SUPPLEMENTAL AGREEMENT
TO LEASE NO. AYB-085R

dated as of November 8, 2005

between

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

and

AMERICAN AIRLINES, INC.

John F. Kennedy International Airport
AMERICAN AIRLINES, INC.
Port Authority Lease No. AYB-085R
Supplement No. 2

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THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Supplement No. 2
Port Authority Lease No. AYB-085R

SECOND SUPPLEMENTAL AGREEMENT

THIS SECOND SUPPLEMENTAL AGREEMENT, made as of November 8, 2005 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "**Port Authority**") and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware (the "**Lessee**"; collectively with the Port Authority, the "**Parties**"),

WITNESSETH, That:

WHEREAS, the Port Authority and the Lessee as of the first day of August 1976 entered into an agreement of lease bearing Port Authority agreement number AYB-085 covering certain premises at John F. Kennedy International Airport (the "**Airport**") as therein set forth, which agreement of lease, as amended, supplemented and modified, was further amended, supplemented, modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December 2000 and bearing Port Authority Agreement No. AYB-085R (as heretofore amended, supplemented, modified and restated, the "**Lease**"); and

WHEREAS, the Lease requires that the Lessee construct on the premises demised under the Lease (the "**Premises**") a passenger terminal building containing fifty-five (55) aircraft loading and unloading gate positions, and the Parties desire to reduce such requirement to thirty-six (36) aircraft loading and unloading gate positions, as more fully provided herein; and

WHEREAS, the Port Authority and the Lessee desire to amend the Lease in certain other respects regarding the scope of the Redevelopment Work and the Lessee's mortgaging of its leasehold interest in the Lease and to otherwise amend and supplement the Lease as provided herein; and

WHEREAS, the Port Authority and the Lessee have entered into a certain *John F. Kennedy International Airport Flight Fees Agreement* dated as of January 1, 2004 (the "**JFK Flight Fees Agreement**") covering the payment of flight fees at the Airport and certain other matters, and the Parties desire to amend the Lease to reflect the terms of the JFK Flight Fees Agreement; and

WHEREAS, the Port Authority and the City of New York have entered into an *Amended and Restated Agreement of Lease of the Municipal Air Terminals* dated as of November 24, 2004 (the "**Amended and Restated Basic Lease**"), which, *inter alia*, extends the term of the Basic Lease through December 31, 2050 and imposes certain requirements with respect to the Port Authority's subleases at the Airport, and the Parties desire to amend the Lease to reflect the terms of the Amended and Restated Basic Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree to supplement and amend the Lease, as follows:

1. Effective Date

Except as otherwise provided herein, this Second Supplemental Agreement shall be effective as of the date hereof (the "**Restructuring Effective Date**").

2. Partial Surrender

Effective as of the Restructuring Effective Date, the Lessee hereby surrenders to the Port Authority those portions of the Premises shown in wave hatching on Exhibit 1.1A (Detail 3, Detail 4)(the "**Restructuring Surrendered Premises**"), and the provisions of Section 1(c) of the Lease as they apply to the Surrendered Premises shall apply equally to the Restructuring Surrendered Premises; provided, that with respect to the Restructuring Surrendered Premises, all references to the Surrender Date shall be deemed to refer to the Restructuring Effective Date, and all references to the Lease shall be deemed to refer to the Lease as supplemented and amended hereby.

3. Amendment to Section 2B, "*Redevelopment of the Premises and Performance of the ACO Work by the Lessee*"

Section 2B of the Lease is hereby amended as follows:

(a) Items (i) and (ii) of subparagraph (2) of paragraph (a) shall be deleted in their entirety and the following new items (i) and (ii) shall be inserted in lieu thereof to read as follows:

> "(i) A three (3) level main passenger terminal building (the "**Main Terminal**") and a two (2) level remote passenger terminal building (the "**Remote Terminal**"), consisting of approximately 1.4 million total square feet of floor space for both buildings and all associated and related areas and facilities, including without limitation Gates (as defined in Section 91 below), stairwells, stairways, escalators, elevators and United States government inspection areas (as described in Section 74 hereof entitled "**Federal Inspection**");
>
> (ii) Not less than thirty-six (36) Gates, of which at least twenty-four (24) Gates are to accommodate wide-body aircraft and of which no more than ten (10) Gates are to accommodate regional jet aircraft;"

(b) Subdivision (aa) of paragraph (d)(9)(ii) of Section 2B is deleted in its entirety, and the following is inserted in its place:

> "(ii) (aa) In addition to subparagraph (9)(i) above and subject to the limitation set forth in subparagraph (9)(ii)(bb) below, in its performance of the Section 2B Work the Lessee shall perform at its cost and expense all appropriate, required and necessary work for the removal of all asbestos, lead, petroleum contamination and other Hazardous Substances from the Site including without limitation the groundwater thereunder, the foregoing to include without limitation the handling, transporting and off-Airport disposal thereof in accordance with applicable law, including without limitation, all applicable Environmental Requirements (including,

if required, disposal of asbestos in a long-term disposal facility at the Lessee's sole cost and expense) and all in a manner satisfactory to the Port Authority, provided, however, that if there is any conflict between applicable laws and Environmental Requirements, the Environmental Requirements shall control."

(c) A new paragraph (r) shall be added at the end of Section 2B of the Lease to read as follows:

"(r) The Expanded Terminal Work

(1) The "**Expanded Terminal Work**" shall mean the construction subsequent to the completion of the Redevelopment Work, on portions of the Premises, including Parcel M, of an expansion of the Main Terminal so that the Main Terminal, as expanded, together with the Remote Terminal shall in the aggregate contain a total of (x) fifty-five (55) Gates, of which at least thirty-five (35) are to accommodate wide-body aircraft and at least two (2) are to accommodate narrow-body aircraft, or, if the Lessee requests, (y) such lesser number of Gates, of such sizes and configurations, as the Port Authority's Director of Aviation shall determine in his or her sole discretion; together with all associated and related areas and facilities, including any off-Premises work, all as more fully provided herein.

The "**Expanded Terminal Work Completion Date**" shall mean the date appearing on the certificate issued by the Port Authority, after the substantial completion of the Expanded Terminal Work, in the manner provided in subparagraph (1) of paragraph (n) in connection with the substantial completion of the Redevelopment Work.

(2) Subject in all events to the provisions of Section 95 of this Lease, in the event that following the completion of the Redevelopment Work the Lessee wishes to elect to expand the Main Terminal pursuant to the provisions of this Section 2B(r), the Lessee shall notify the Port Authority of such election, and shall submit to the Port Authority, for its

approval, the Lessee's comprehensive plan for the construction of the Expanded Terminal Work, including but not limited to renderings, layouts, locations, models, estimated commencement, milestone and completion dates, staging plans and preliminary functional plans for the Expanded Terminal Work (such comprehensive plan, as approved by the Port Authority, the **"Expanded Terminal Work Comprehensive Plan"**). The Lessee shall keep the completion dates, staging plans and preliminary functional plans for the Expanded Terminal Work Comprehensive Plan up to date and shall submit to the Port Authority for its approval all amendments, supplements or modifications thereto, which amendments, supplements or modifications shall not become effective until the same have been approved by the Port Authority.

(3) Without limitation as to the foregoing, the Expanded Terminal Work Comprehensive Plan shall include the relevant items of on-Premises construction enumerated in Section 2B(a)(2) above and shall be in accordance with the requirements relating thereto.

(4) In addition to and without limitation as to the foregoing, the Expanded Terminal Work Comprehensive Plan shall include the relevant items of off-Premises construction enumerated in Section 2B(a)(3) above and shall be in accordance with the requirements relating thereto.

(5) Prior to the commencement of the Expanded Terminal Work, the Lessee shall deliver to the Port Authority complete plans and specifications for the construction thereof, which shall be consistent with the Expanded Terminal Work Comprehensive Plan and which shall otherwise be in accordance with and subject to the provisions of Section 2B(c) relating to the plans and specifications for the Section 2B Work.

(6) The Lessee agrees that the performance of the design and construction of the Expanded Terminal Work shall be at the Lessee's sole cost and expense and shall be subject to and performed in accordance with all the terms,

provisions and conditions of this Lease, and, without limiting any other term or provision of this Lease, also be subject to the terms of and in conformance with the design criteria contained in the Port Authority Tenant Construction Review Manual, as the same may be amended from time to time.

(7) All of the relevant terms and provisions of this Section 2B as they apply to the Section 2B Work shall equally and fully apply to the Expanded Terminal Work; and all of the relevant terms and provisions of this Section 2B as they apply to the Redevelopment Work, including without limitation paragraphs (f), (g), (h), (i), (k), (l), (n)(1), (n)(2), (n)(3) and (q), shall equally and fully apply to the Expanded Terminal Work; and all of the terms and provisions of paragraph (e) of this Section 2B as they apply to the Off-Premises Work shall equally and fully apply to the portion, if any, of the Expanded Terminal Work that is not performed on the Premises; and all of the terms and provisions of paragraph (d)(11) of this Section as they apply to the Redevelopment Work Completion Date shall equally and fully apply to the Expanded Terminal Work Completion Date. In addition to and without limitation as to the generality of the foregoing, and without limitation as to the generality of the Port Authority's rights of approval hereunder, all of the rights and obligations of the Port Authority and the Lessee as they apply to the Redevelopment Work shall equally and fully apply to the Expanded Terminal Work. To the extent any of these rights and obligations terminated on the Section 2B Work Completion Date, including without limitation certain of the Lessee's obligations under Section 2B(l)(2) and Section 59 hereof, such rights and obligations shall be reinstated upon (x) the Port Authority's approval of the Expanded Terminal Work Comprehensive Plan or (y) the Lessee's commencement of any portion of the Expanded Terminal Work, whichever is earlier, and shall terminate on the Expanded Terminal Work Completion Date.

(8) "**Expanded Terminal Work Investment**" shall have the meaning ascribed to the defined term "Redevelopment Work Investment" in Section 91 hereof, except that all references therein to "Redevelopment Work" and "Redevelopment Work Investment" shall, for purposes of this definition, be deemed to refer to "Expanded Terminal Work" and "Expanded Terminal Work Investment", respectively."

4. Amendment to Section 3, "*Term*"

Section 3 of the Lease, entitled "*Term*", as previously amended by Supplement No. 1 to the Lease, is hereby deleted in its entirety and the following new Section 3 is inserted in lieu thereof to read as follows:

"Section 3. Term

(a) The term of the letting under this Lease, as the same shall have commenced under Lease AYB-085, shall expire on December 31, 2036, unless sooner terminated in accordance with the terms and provisions of this Lease.

(b) Notwithstanding the foregoing, in the event that all of the Required Conditions shall not have occurred prior to December 30, 2015, then this Lease and the letting hereunder shall in any event automatically terminate without notice to the Lessee on December 30, 2015. Such termination shall be and operate as a conditional limitation. In the event any court of competent jurisdiction shall not give full and complete effect to this termination provision and its operation as a conditional limitation, the Lessee and the Port Authority agree, as a condition of this Agreement, and not merely as a covenant, that this Agreement and the stated term of the letting hereunder shall nonetheless, from and after the effective date of termination provided above in this paragraph (b), be deemed to have expired.

(c) Notwithstanding the preceding paragraphs (a) and (b), however, in the event that all of the Required Conditions have not occurred by December 31, 2010, then the Port

Authority shall have the option to terminate this Lease and the letting hereunder.

(d) "**Required Conditions**" shall mean all of the following conditions: (i) the Redevelopment Work Completion Date shall have occurred, (ii) the Lessee shall have made a Redevelopment Work Investment in the Premises of not less that Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), and (iii) the Premises shall contain not less than thirty-six (36) Gates, of which at least twenty-four (24) are to accommodate wide-body aircraft and of which no more than ten (10) are to be Regional Gates."

5. Amendment to Section 4, "*Rental*"

Section 4 of the Lease, entitled "*Rental*", is hereby amended as follows:

(a) Paragraph (q) of Subdivision I is deleted in its entirety, and the following is inserted in its place:

"(q) "**Rentals**" shall collectively mean the Ground Rental, the Area IA and IB Building Rental, the Area I Building Rental, the Area II Building Rental and the Additional Land Rental."

(b) Paragraph (a)(3) of Subdivision II is amended by deleting subdivision (ii) in its entirety and inserting the following new subdivisions (ii) and (iii) in its place:

"(ii) Effective on January 1, 2002 and on the first day of each Adjustment Period commencing prior to the Restructuring Effective Date, the Ground Rental shall be further increased for each Adjustment Period as follows: the amount of the Ground Rental set forth in paragraph (a)(1) above, as the same may have been last adjusted under this paragraph (a), shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period.

(iii) Effective on the Restructuring Effective Date, the Ground Rental shall be at the rate of (Ex. 2.a.) per annum; and on the first day of the Adjustment Period commencing on January 1, 2006, and on the first day of each Adjustment Period occurring thereafter during the remainder of the term of the letting under this Lease, the Ground Rental shall be further increased for each Adjustment Period as follows: the amount of the Ground Rental set forth in the first clause of this subdivision (iii), as the same may have been last adjusted under this subdivision (iii), shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period."

(c) The following new paragraphs (i), (j) and (k) are inserted at the end of Subdivision II to read as follows:

"(i) ***Additional Land Rental.***

(1) **"Additional Land Rental Adjustment Year"** shall mean, as the context requires, (x) the period of twelve months commencing on the first anniversary of the Additional Land Rental Commencement Date and expiring on the day immediately preceding the second anniversary of the Additional Land Rental Commencement Date, (y) each succeeding period of twelve months occurring during the term of the letting under this Lease commencing on each anniversary of the Additional Land Rental Commencement Date and (z) in the event this Lease expires or is terminated on other than the day preceding an anniversary of the Additional Land Rental Commencement Date, the period of less than twelve months commencing on the anniversary of the Additional Land Rental Commencement Date last preceding the date of such

expiration or termination of this Lease and expiring on the date of such expiration or termination.

"**Additional Land Rental Base Year**" shall mean the period from the Additional Land Rental Commencement Date through the day before the first day of the first Additional Land Rental Adjustment Year to occur following the Additional Land Rental Commencement Date (such first Additional Land Rental Adjustment Year, the "**First Additional Land Rental Adjustment Year**").

"**Additional Land Rental Payment Period**" shall mean the period commencing on the Building Rental End Date (such date of commencement, the "**Additional Land Rental Commencement Date**") and expiring on the earliest to occur of (i) the expiration of the term of the letting under this Lease, (ii) the Expanded Terminal Work Completion Date and (iii) the Parcel M Surrender Date, as defined in Section 96 of this Lease.

(2) Effective as of the Additional Land Rental Commencement Date and throughout the Additional Land Rental Payment Period, the Lessee shall pay to the Port Authority an annual rental for the ground area shown in diagonal hatching on Exhibit 95.1 attached hereto and hereby made a part hereof and marked "Exhibit 95.1" (the "**Additional Land Rental**"). The rate of the Additional Land Rental shall be

(Ex. 2.a.)

per annum for the Additional Land Rental Base Year. The Additional Land Rental shall thereafter be adjusted on an annual basis as hereinbelow set forth during the Additional Land Rental Payment Period.

(3) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(4) Effective on the first day of the First Additional Land Rental Adjustment Year, and on the first day of each following Additional

Land Rental Adjustment Year, the annual rate of the Additional Land Rental shall be increased as follows: the annual rate of the Additional Land Rental payable for the Additional Land Rental Base Year or for the Additional Land Rental Adjustment Year immediately preceding such first day, as the case may be, shall be multiplied by a percentage composed of the sum of (x) (Ex. 2.a.) (y) of the CPI Percentage Increase as calculated using the (Ex. 2.a.) immediately preceding such first day; and the amount obtained from the foregoing calculation shall be the Additional Land Rental in effect for such Additional Land Rental Adjustment Year.

(5) The Additional Land Rental hereunder shall be payable by the Lessee in advance on the Additional Land Rental Commencement Date and on the first day of each and every calendar month thereafter occurring during the Additional Land Rental Payment Period, in equal monthly installments, each in the amount of one-twelfth (1/12th) of the annual Additional Land Rental then in effect, provided, however, that if Additional Land Rental is payable hereunder for less than a full calendar month, the amount payable on the first day of such calendar month shall be the amount of the foregoing monthly installment prorated on a daily basis using the actual number of days in the said month.

(j) ***Leasehold Mortgage Rental.***

(1) **"Bond Debt Service"** shall mean the amount payable with respect to the Bonds, including any amounts required to be paid or set aside for any amortization, payment at maturity, redemption (including redemption premium, if any) or retirement of the Bonds (but excluding the principal portion of any purchase price paid in connection with a mandatory or optional tender of the Bonds pursuant to (x) Section 2.05 of the Second Series Supplemental Indenture of Trust dated as of July 1, 2002 between the IDA and the Trustee, (y) Section 2.05 of the Third Series Supplemental Indenture of Trust dated as of November 1, 2005 between the Agency and the

Trustee and (z) any Additional Supplemental Indenture which provides for the optional or mandatory tender for purchase of any Series of Additional Bonds).

"**Leasehold Mortgage**" and "**Leasehold Mortgage Termination Date**" shall have the meanings given such terms in Section 92 of this Lease.

"**Leasehold Mortgage Annual Period**" shall mean the twelve-month period commencing with the Restructuring Effective Date and expiring on the day preceding the first anniversary of the Restructuring Effective Date, and each succeeding twelve-month period thereafter commencing on each anniversary of the Restructuring Effective Date and expiring on the day preceding the next anniversary of the Restructuring Effective Date, and in the event that the Leasehold Mortgage Termination Date shall be other than the last day of a Leasehold Mortgage Annual Period, then in such event "Leasehold Mortgage Annual Period" shall mean the actual number of days from the commencement of the Leasehold Mortgage Annual Period in which the Leasehold Mortgage Termination Date shall occur to and including the Leasehold Mortgage Termination Date.

(2) Effective on the Restructuring Effective Date and continuing thereafter to and including the Leasehold Mortgage Termination Date, the Lessee shall pay to the Port Authority a rental (the "**Leasehold Mortgage Rental**") in the following amounts and at the following times:

(i) For the period commencing on the Restructuring Effective Date to and including the day preceding the first anniversary of the Restructuring Effective Date, on each date that the Lessee is obligated to pay Bond Debt Service (whether in the form of rental payments or otherwise), the Lessee shall pay to the Port Authority an amount equal to (2.a.) of the amount of Bond Debt Service payable on such date, and

(ii) For the period commencing on the first anniversary of the Restructuring Effective Date to and including the day preceding the second anniversary of the Restructuring Effective Date, on each date that the Lessee is obligated to pay Bond Debt Service (whether in the form of rental payments or otherwise), the Lessee shall pay to the Port Authority an amount equal to (2.a.) of the amount of Bond Debt Service payable on such date, and (2.a.)

(iii) For the period commencing on the second anniversary of the Restructuring Effective Date to and including the Leasehold Mortgage Termination Date, on each date that the Lessee is obligated to pay Bond Debt Service (whether in the form of rental payments or otherwise), the Lessee shall pay to the Port Authority an amount equal to (2.a.) of the amount of Bond Debt Service payable on such date; provided, however, that if the Leasehold Mortgage Termination Date is also the Refinancing Leasehold Mortgage Termination Date, no Leasehold Mortgage Rental shall be payable on (as well as after) the Leasehold Mortgage Termination Date, and the Lessee shall instead pay to the Port Authority a one-time Leasehold Mortgage Termination Fee, as provided in paragraph (k) below.

(3) Leasehold Mortgage Rental shall be due and payable to the Port Authority in the amounts and on the dates provided in the preceding subparagraph (j)(2), irrespective of whether the Lessee actually pays the amounts of Bond Debt Service payable on such dates.

(k) ***Leasehold Mortgage Termination Fee.***

Notwithstanding the foregoing, in the event that the Bonds are refinanced, and in connection therewith the Leasehold Mortgage is terminated, the Lessee shall pay to the Port Authority, as additional rent hereunder, a one-time fee (the "**Leasehold Mortgage Termination Fee**") in the amount of

(2.a.) of the Bond Debt Service payable in connection with such refinancing and termination of the Leasehold Mortgage. The Leasehold Mortgage Termination Fee shall be paid to the Port Authority not later than the date of such termination of the Leasehold Mortgage (the **"Refinancing Leasehold Mortgage Termination Date"**). It is understood, consistent with paragraph (j)(2)(iii) above, that if the Bonds are refinanced but the Leasehold Mortgage is not terminated in connection therewith (and thus no Leasehold Mortgage Termination Date or Refinancing Leasehold Mortgage Termination Date occurs in connection with such refinancing), no Leasehold Mortgage Termination Fee shall be payable hereunder in connection with such refinancing transaction, and Leasehold Mortgage Rental shall continue to be payable in accordance with the provisions of the foregoing paragraph (j)."

(d) Subparagraph (2) of paragraph (a) of Subdivision IV of the Lease is deleted in its entirety, and the following new subparagraphs (2) and (3) are inserted in its place:

"(2) For the portion of the term of the letting from January 1, 2001 through the day preceding the Restructuring Effective Date, at the daily rate of $191.78, as appropriately adjusted to reflect any and all adjustments in the Ground Rental pursuant to paragraph (a) of Subdivision II of this Section.

(3) For the portion of the term of the letting from the Restructuring Effective Date through the remainder of the term of the letting, at the daily rate of $234.76, as appropriately adjusted to reflect any and all adjustments in the Ground Rental pursuant to paragraph (a) of Subdivision II of this Section."

6. Amendment to Section 11, "*Insurance*" and Section 13, "*Indemnity and Liability Insurance*"

Notwithstanding anything to the contrary in Section 11 of the Lease, entitled "Insurance", or Section 13 of the Lease, entitled "Indemnity and Liability Insurance", The

City of New York shall be named as an additional insured or loss payee, as applicable, under each policy of insurance procured by the Lessee pursuant to the Lease.

7. Amendment to Section 18, "*Condemnation*"

Section 18 of the Lease, entitled "Condemnation", is deleted in its entirety, and the following is substituted in its place:

"Section 18. Condemnation

(a) ***Definitions.***

The following terms, when used in this Section 18, shall, unless the context shall require otherwise, have the respective meanings given below:

"**Date of Taking**" shall mean the date on which title to all or any portion of the Premises, as the case may be, has vested in any lawful power or authority pursuant to a Taking.

"**Material Part**" with reference to the Premises or with reference to the Public Landing Area shall mean such portion of the Premises or the Public Landing Area as when so taken would leave remaining a balance of the Premises, due either to the area so taken or the location of the part so taken in relation to the part not so taken, that would not under economic conditions and after performance by the Lessee of all covenants, agreements, terms and provisions contained herein or required by law to be observed or performed by the Lessee, permit the restoration of the Premises so as to enable the Lessee to operate, maintain and develop the Premises in accordance with Sections 2 and 5 of this Agreement and to continue to carry on its normal operations at the Airport without using such part taken.

"**Taking**" shall mean the acquisition of a real property interest, through condemnation or the exercise of the power of eminent domain, by any body having a superior power of eminent domain.

(b) ***Permanent Taking of All or a Portion of the Premises and the Public Landing Area.***

(1) If a Taking is permanent and covers the entire Premises, then this Agreement shall, as of the Date of Taking, cease and determine in the same manner and with the same effect as if such date were the original date of expiration hereof.

(2) If a Taking is permanent but covers less than all of the Premises, this Agreement and the term hereof shall continue as to the portion of the Premises not so taken, and the letting as to the part of the Premises so taken shall, as of the Date of Taking, cease and determine in the same manner and with the same effect as if the term of the letting had on that date expired, and the rentals shall be abated as provided in Section 4 hereof.

(3) If a Taking is permanent and covers a Material Part of the Premises or of the Public Landing Area, then the Lessee and the Port Authority shall each have an option exercisable by notice given within ten (10) days after the Date of Taking to terminate the letting hereunder with respect to the Premises not taken, as of the Date of Taking, and such termination shall be effective as if the Date of Taking were the original date of expiration hereof. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for a consideration equal to the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises not taken. If the letting of the entire Premises is not terminated, the rentals shall be abated in accordance with Section 4 hereof after the date of surrender of possession of the portion of the Premises taken.

(4) If a Taking is permanent but covers less than the entire Premises and the letting of the portion of the Premises not taken is not terminated pursuant to paragraph (b)(3) of this Section, the Lessee shall proceed diligently to restore the remaining part of the Premises not

so taken so that the Premises shall be a complete, operable, self-contained architectural unit in good condition and repair and the proceeds of that portion of any award paid in trust to the Port Authority pursuant to Section 23.3 of the Basic Lease attributable to the improvements on the Premises not so taken shall be made available by the Port Authority to be used by the Lessee for that purpose. The Port Authority shall retain any excess of such award over the costs of the restoration.

(5) If a Taking (x) covers all or "substantially all of a Municipal Air Terminal", as defined in the Basic Lease, and (y) the Basic Lease (with respect to the Airport) and this Agreement are consequently terminated, then the Port Authority shall pay to the Lessee its Unamortized Redevelopment Investment, if any, in the Premises, provided, however, that the Port Authority's foregoing payment obligation to the Lessee shall be limited to a proportionate share (as determined by the Port Authority in its sole discretion following consultation with all of the Port Authority's tenants at the Airport) of the condemnation proceeds available to be paid to the Lessee and the Port Authority's other tenants at the Airport, and provided, further, that such available condemnation proceeds shall be limited to the amount of the condemnation proceeds received from the City remaining after the Port Authority has been compensated for (p) the value of its leasehold interest in the Airport or (q) the sum of the unamortized portion of the Port Authority's investment in improvements at the Airport and any remaining deferred charges for equipment acquired by the Port Authority for use at or in connection with its operation of the Airport, whichever of (p) or (q) is greater (such greater amount, the "**Port Authority Share**"). In making the determination of "proportionate share" provided in the first proviso of the preceding sentence, the Port Authority shall in no event be liable, in any respect, to the Lessee or any other party by reason of such determination or the resulting distribution of proceeds, and the Lessee shall, prior to receipt of any such

distribution, execute and deliver to the Port Authority such form of waiver, release and indemnification as the Port Authority may request. The Lessee understands and accepts that after payment of the Port Authority Share, there may be insufficient condemnation proceeds (or none at all) remaining to pay all or any portion of the Lessee's Unamortized Redevelopment Investment.

(c) ***Temporary Taking of All or Any Part of the Premises or the Public Landing Area.***

(1) If the temporary use of the whole or any part of the Premises shall be taken for any public or quasi-public purpose by any lawful power or authority pursuant to a Taking or by agreement between the Port Authority and such lawful power or authority, (w) the Lessee shall give prompt notice thereof to the Port Authority, (x) the Term shall not be reduced or affected in any way and (y) the Lessee shall continue to pay in full all rentals payable by the Lessee hereunder without reduction or abatement except as set forth in paragraph (c)(2) below.

(2) If a temporary Taking covers all or a Material Part of the Premises or the Public Landing Area, then the Lessee and the Port Authority shall each have an option, exercisable by notice given within ten (10) days after the Date of Taking, to suspend the term of the letting of such of the Premises as are not so taken during the period of the Taking, and, in that event, the rentals for such portion of the Premises not so taken shall abate for the period of the suspension in accordance with Section 4 hereof. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for the period of suspension for a consideration equal to the Unamortized Redevelopment Investment, if any, of the Lessee in such Premises which is to be amortized over the period of such suspension.

(d) ***Lessee's Cooperation.***

The Lessee shall execute any and all documents that may be reasonably required in order to facilitate collection by the appropriate party of awards or payments covered by this Section.

(e) ***Condemnation Claims by the Lessee.***

To the extent a condemnation claim by the Lessee shall not diminish any claim, award, compensation or damages of or to the City or of or to the Port Authority on account of any condemnation and such condemnation claim is permitted by Section 23 of the Basic Lease, the Lessee may file a claim in a condemnation proceeding."

8. Amendment to Section 20, "*Termination by the Port Authority*"

Paragraph (a) of Section 20 of the Lease, entitled "Termination by the Port Authority", shall be amended by inserting the word "or" immediately after the semi-colon appearing at the end of subparagraph (10) thereof and by inserting the following new subparagraph (11) immediately after said subparagraph (10) thereof to read as follows:

"(11) Any change in the identity of the Lessee hereunder, or the use of the Premises, shall cause the Port Authority to be in breach of the T-4 Covenant, and the condition causing such breach has not been remedied within ninety (90) days after the Lessee has received notice thereof from the Port Authority;"

9. Amendment to Section 23, "*Survival of the Obligations of the Lessee*"

Paragraph (b) of Section 23 of the Lease, entitled "Survival of the Obligations of the Lessee", is hereby amended by redesignating subparagraph "(6)" of paragraph (b) thereof as subparagraph "(8)" and by inserting the following new subparagraphs (6) and (7) immediately after subparagraph (5) thereof to read as follows:

"(6) If the Additional Land Rental Payment Period is in effect immediately prior to

such termination, the amount of the total of all annual Additional Land Rentals (such total being calculated on the basis that the Additional Land Rental Payment Period would have expired on the expiration of the term of the letting under this Lease), less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(7) The amount of the total of all monthly Leasehold Mortgage Rentals (such total being calculated on the basis of the total amount of Outstanding Bonds on the effective date of termination and on the assumption that the Leasehold Mortgage would have terminated on December 31, 2036), less the installments thereof payable prior to the effective date of termination, except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and".

10. Amendment to Section 45, "*Requesting Airlines at the Airport*"

Section 45 of the Lease, entitled "Requesting Airlines at the Airport", is hereby deleted in its entirety and the following is inserted in its place:

"Section 45. Requesting Airlines at the Airport

(a) ***Best Efforts Accommodations***.

(1) If a Scheduled Aircraft Operator advises the Lessee that it would like to be accommodated by the Lessee at the Premises (any such Scheduled Aircraft Operator being hereinafter called a "**Requesting Airline**"), the Lessee in furtherance of the public interest of having the Premises fully and most effectively utilized shall use its best efforts to

accommodate the request of said Requesting Airline. If the Lessee fails to reach agreement with said Requesting Airline for its accommodation, the Lessee shall advise the Port Authority to such effect. Thereafter, the Port Authority shall make a reasonable determination as to whether the Lessee should accommodate the Requesting Airline as requested and if so, whether there are any limitations on the nature, extent, cost, duration and extent of such accommodation. Such determinations of the Port Authority would take into consideration the then existing utilization of the Premises and the necessity for the flights, schedules, flight times, operations, operating practices and aircraft equipment of the Requesting Airline to be compatible with those of the Lessee, as well as the need for labor harmony. The Lessee agrees to comply with such determinations of the Port Authority made in accordance with this Section.

(2) Any arrangement between the Lessee and the Requesting Airline made in accordance with any of the foregoing provisions shall be submitted by the Lessee to the Port Authority for its consent, which will be in the form of a consent agreement prepared by the Port Authority and to be executed by the Lessee, the Requesting Airline and the Port Authority.

(3) The foregoing shall not be deemed to abrogate, change or affect any restrictions, limitations or prohibitions on assignment, subletting or use of the Premises by others under this Lease and shall not in any manner affect, waive or change any of the provisions thereof.

(b) ***Section 45 Notice to Provide Accommodations.***

(1) If the Port Authority shall make a determination under Section 45(a) above that the Lessee should accommodate the request of a Requesting Airline and the Lessee shall fail to comply with such determination, then, in addition to and without limiting each and every other right the Port Authority has under this Agreement or otherwise, the Port Authority, as to any and each such Requesting Airline, shall have the

right, upon ninety (90) days' notice to the Lessee (such notice, a "**Section 45 Notice to Provide Accommodations**", and such 90-day period, the "**Section 45 Notice Period**") to require the Lessee to make available and provide Accommodations to such Requesting Airline at the Premises as directed by the Port Authority. Each Section 45 Notice to Provide Accommodations shall specify the number and type of Gates that the Port Authority has determined shall be made available by the Lessee to the Requesting Airline.

(2) The Lessee shall, on or before the expiration of each Section 45 Notice Period, provide Accommodations to the Requesting Airline in accordance with the Section 45 Notice to Provide Accommodations. The Lessee shall accept information from the Requesting Airline and/or the Port Authority with respect to the Requesting Airline's scheduled arrivals and departures for each Gate specified in the Section 45 Notice to Provide Accommodations, and the Lessee shall provide Accommodations to the Requesting Airline in such manner so as to properly meet the Requesting Airline's schedule and needs as to each applicable Gate for its said scheduled arrivals and departures. Notwithstanding the foregoing, however, the Lessee shall not be required to provide Accommodations to the Requesting Airline at times that would conflict with the Lessee's present or future aircraft departure and arrival schedules, as shown by the Lessee's present or future schedules set forth in the Official Airline Guides (or successor publication).

(3) Without limiting the foregoing, upon its receipt of a Section 45 Notice to Provide Accommodations the Lessee shall also secure an arrangement with the Requesting Airline in accordance with the Section 45 Notice to Provide Accommodations and shall in good faith negotiate with the Requesting Airline as the Port Authority shall direct for Accommodations in the Premises, all in accordance herewith; provided, however, that so long as the Lessee shall have negotiated in good faith, the Lessee shall have

no obligation to execute an agreement providing for such Accommodations if the Requesting Airline refuses to agree to the Lessee's proposed reasonable and non-discriminatory rates, fees and charges, as described in paragraph (c)(6) of this Section.

(c) ***"Accommodations".***

(1) The term **"Accommodations"** shall mean aircraft ramp and gate position capacity and related passenger terminal facilities, including but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger lounge and waiting areas and appropriate signage and public identification. Such Accommodations may be accomplished by the Lessee by making available and providing non-exclusive use of gate positions and other related facilities to Scheduled Aircraft Operators pursuant to a Handling Agreement between the Lessee and any such Scheduled Aircraft Operator (hereinafter called an **"Accommodated Handled Airline"**). Each such Handling Agreement shall be subject to the prior and continuing approval of the Port Authority and the execution among the Port Authority, the Lessee and the Accommodated Handled Airline of a form of consent agreement prepared by the Port Authority. Moreover, and without limiting the foregoing, the Lessee will at all times keep the Port Authority informed and advised and will consult with the Port Authority from time to time as to all aspects of its accommodation of Scheduled Aircraft Operators hereunder.

(2) It is understood furthermore that the Accommodations contemplated hereunder may involve the use of subleases of exclusive or preferential areas of the Premises in addition to or in lieu of Handling Agreements. Any sublease with a Scheduled Aircraft Operator (hereinafter called an **"Accommodated Sublessee Airline"**) will similarly be subject to the prior and continuing approval of the Port Authority and the execution of a consent agreement prepared by the Port Authority, and executed by the Port Authority, the Lessee and the Accommodated Sublessee

Airline. It is understood that American Eagle is an Accommodated Sublessee Airline pursuant to the American Eagle Arrangement.

(3) Nothing contained herein shall in any way affect the discretion of the Port Authority in granting or withholding its consent to a Handling Agreement or a sublease with an Accommodated Sublessee Airline, proposed by the Lessee or directed by the Port Authority, and such consent may contain such terms and conditions including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of the Lessee's gross receipts arising therefrom, as the Port Authority may, at that time, elect, and all provisions of the Lease requiring the prior written consent or approval of the Port Authority.

(4) Notwithstanding anything to the contrary contained herein, the Lessee understands and agrees that the Lessee shall not perform any services and functions pursuant to any Handling Agreement or sublease with a Accommodated Handled Airline or a Accommodated Sublessee Airline with respect to which the Port Authority has specifically withheld consent and approval in the consent agreement to such Handling Agreement or sublease. The Accommodated Handled Airline and the Accommodated Sublessee Airline may either perform said services and functions themselves or use the services of the authorized service organization, including but not limited to in-flight caterers, aircraft fuelers, and ramp handlers performing such services or functions at the Airport. The Lessee however may make the necessary arrangements with the authorized service organization performing such services and functions performed for the Accommodated Handled Airline or the Accommodated Sublessee Airline.

(5) The Lessee shall furnish to the Port Authority from time to time such itemization, details and information pertaining to the Handling Agreements and subleases as the Port Authority may from time to time reasonably request.

(6) The Lessee agrees that all Handling Agreements and subleases shall be at reasonable and at non-discriminatory rates, fees and charges, which rates, fees and charges shall be based upon the recovery by the Lessee of a pro rata share of the Lessee's costs of (i) operation and maintenance of the Premises, (ii) the services provided to the Accommodated Handled Airline or the Accommodated Sublessee Airline, and (iii) the Lessee's investment in the Premises not otherwise included in the above; plus costs, fees and standard industry markups associated with accommodating the Accommodated Handled Airline or the Accommodated Sublessee Airline at the Premises, provided, however, that it is understood and agreed that the following shall not be a reason for the Lessee to refuse a sublease or Handling Agreement or to impose any conditions or limitations on operations in connection therewith under this Section: (aa) possible or potential labor disharmony with an Accommodated Handled Airline or Accommodated Sublessee Airline, (bb) competitive nature of the routes, schedules or type of air transportation service to be provided by an Accommodated Handled Airline or Accommodated Sublessee Airline, provided, further, however, that with respect to item (aa) above if, after notice from the Port Authority to provide Accommodations to a specific Scheduled Aircraft Operator, the Lessee shall, in good faith, believe that the operations of such specific Scheduled Aircraft Operator on the Premises would cause such significant, immediate and unremediable labor disharmony which would seriously affect the operations of the Lessee, then, upon request by the Lessee to the Port Authority setting forth in specific detail satisfactory to the Port Authority the nature of the anticipated labor disharmony and requesting that the Lessee not be obligated under this Section to provide Accommodations for such specific Scheduled Aircraft Operator, the Port Authority shall, in good faith, consider the Lessee's request; and if the Port Authority finds that the labor disharmony described by the Lessee is reasonably likely to result if the Lessee were

to provide Accommodations to such Scheduled Aircraft Operator on the Premises, then the Port Authority shall notify the Lessee that the Port Authority's direction to provide Accommodations to such Scheduled Aircraft Operator is rescinded.

(d) ***Gate Termination.***

(1) **"Domestic Gate"** shall mean a non-FIS Gate capable of handing aircraft with 91 or more seats, but shall not include any International Gate located at the Premises and at Terminal 4.

"FIS" shall mean of or relating to Federal Inspection Facilities, or premises made available to the United States for inspection of airline passengers and their baggage by United States Customs and Immigration.

"International Gate" shall mean a Gate that has access to FIS facilities.

"Lessee's Net Investment" shall mean the difference obtained by subtracting the amount of all of the Bonds (as defined in Section 92 hereof) from the amount of (x) the Redevelopment Work Investment or, as the case may be, (y) the sum of the Redevelopment Work Investment and the Expanded Terminal Work Investment.

(2.a.)

(2.a.)

"**Regional Gate**" shall mean a non-FIS Gate incapable of handling aircraft with over 90 seats.

"**Required Conditions Attainment Date**" shall mean the date on which all of the Required Conditions shall have been met.

"**Terminated Gate**" shall mean a Gate with respect to which the letting is terminated pursuant to the provisions of Section 45 or of Section 46 hereof.

"**Unamortized Bond Obligation**" shall mean the Outstanding principal of the Bonds from time to time.

"**Unamortized Lessee's Net Investment**" shall mean the Lessee's Net Investment amortized on a straight line basis over the number of months from the earlier to occur of January 1, 2008 or the Required Conditions Attainment Date to December 31, 2031.

"**Unamortized Obligation**" shall mean (i) prior to the Expanded Terminal Work Completion Date, an amount equal to the sum of the Unamortized Lessee's Net Investment plus the Unamortized Bond Obligation, provided, however, that said sum shall be limited to a maximum amount of One Billion Two Hundred Seventy Four Million Dollars and No Cents ($1,274,000,000.00) amortized on a straight line basis over the number of months from the earlier to occur of January 1, 2008 or the Required Conditions Attainment Date to December 31, 2031, and (ii) from and after the Expanded Terminal Work Completion Date, an amount equal to the sum of the Unamortized Lessee's Net Investment plus the Unamortized Bond Obligation, provided, however, that said sum shall be limited to a maximum amount of One Billion Five Hundred Seventy One Million Dollars and No Cents ($1,571,000,000.00)

amortized on a straight line basis over the number of months from the earlier to occur of January 1, 2008 or the Required Conditions Attainment Date to December 31, 2031.

(2) In the event that at the expiration of the Section 45 Notice Period the Lessee shall fail to provide Accommodations to the Requesting Airline named in the Section 45 Notice to Provide Accommodations triggering such Notice Period, the Port Authority may, upon at least sixty (60) days' notice to the Lessee (the "**Section 45 Gate Termination Notice**"), terminate the letting of the number and type of Gates specified in said Section 45 Notice to Provide Accommodations, such termination to be effective on the date set forth in the Section 45 Gate Termination Notice (the "**Section 45 Gate Termination Date**"), provided that the Lessee and/or the Trustee, as applicable, shall have received the payments set forth in subparagraph (5) below.

(3) The Port Authority's rights to terminate one or more Gates set forth above in this Section 45 may be exercised as to one or more than one Requesting Airline, without waiving, limiting or impairing any other right of the Port Authority under this Agreement or otherwise.

(4) As to each Section 45 Gate Termination Notice, upon such termination, the term of the letting as to the Terminated Gates shall cease and expire on the Section 45 Gate Termination Date with the same force and effect as if said date were the date originally stated in this Agreement for the expiration of the term of the letting as to the Terminated Gates, provided that the Lessee and/or the Trustee, as applicable, shall have received the payments set forth in subparagraph (5) below. This Agreement and the letting as to all other portions of the Premises (excluding all other previously terminated portions thereof, if any) shall continue in full force and effect. Subject to and conditioned on the provisions of this Section, and only so long as the Lessee provides

full and unrestricted access, ingress and egress to and from the Terminated Gate to the Port Authority and each user of the Terminated Gate and its employees, agents, representatives and contractors, (i) the annual Ground Rental payable by the Lessee to the Port Authority hereunder shall, from and after the Section 45 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the annual Ground Rental payable and in effect prior to such termination, (ii) the applicable annual Building Rental, if any, payable by the Lessee to the Port Authority hereunder shall, from and after the Section 45 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the applicable annual Building Rental, if any, payable and in effect prior to such termination, and (iii) the applicable annual Terminal Rental, if any, payable by the Lessee to the Port Authority hereunder shall, from and after the Section 45 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the applicable annual Terminal Rental, if any, payable and in effect prior to such termination.

(5) (i) As a condition to the effectiveness of each Section 45 Gate Termination Date, but only if the Lessee actually surrenders and vacates each Terminated Gate in accordance with all applicable provisions of this Lease, the Port Authority shall be obligated, simultaneously with such surrender by the Lessee, to make a one-time payment to the Lessee and/or the Trustee, as applicable, in the lesser amount of (i) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Obligation (such product, the "**Maximum Gate Investment Amount**") or (ii) the sum of (x) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Bond Obligation (such product,

the "**Pro-Rata Bond Gate Investment Amount**") and (y) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Lessee's Net Investment (said product, the "**Pro-Rata Lessee Gate Investment Amount**"). The Trustee shall, promptly upon the Port Authority's request, provide the Port Authority with the correct amount of the Unamortized Bond Obligation, certified by the Trustee, in sufficient detail as to enable the Port Authority to calculate the Pro-Rata Bond Gate Investment Amount to be paid with respect to each Terminated Gate.

(ii) In accordance with the foregoing subdivision (i), on or before the Section 45 Gate Termination Date, the Port Authority shall pay (x) to the Trustee the portion of the payment constituting a portion of the Unamortized Bond Obligation and (y) to the Lessee the portion of the payment constituting a portion of the Lessee's Net Investment.

(iii) The foregoing and all payments to be made by the Port Authority hereunder shall be subject to Port Authority rights of audit and inspection rights, and shall be subject to the record-keeping obligations of the Lessee under Section 69 hereof.

(iv) For purposes of determining the amount payable in connection with a Terminated Gate under this Section 45, the Lessee shall certify the amounts of the Redevelopment Work Investment and the Expanded Terminal Work Investment, respectively, promptly following the Redevelopment Work Completion Date and the Expanded Terminal Work Completion Date, and the Port Authority shall perform (and the Lessee shall fully cooperate in) an audit of the Redevelopment Work and the Expanded Terminal Work within one year following the date of such respective certification; provided, however, that any such audit shall

not preclude the Port Authority, prior to a Gate Termination Date, from revising any such determination based on updated or corrected audit results.

(6) The Lessee shall cooperate with the Port Authority in arrangements at the Premises so that each Aircraft Operator who uses a Terminated Gate may handle itself or be handled by a handling permittee of the Port Authority of its choice, subject to prior written consent of the Port Authority and payment of all applicable fees to the Port Authority. In the event that the Lessee wishes to perform handling services for any such Aircraft Operator, the Lessee shall not do so unless the Lessee has obtained an appropriate handling permit from the Port Authority covering the Lessee's handling of such Aircraft Operator, to be subject to the prior and continuing approval of the Port Authority and payment of all applicable fees to the Port Authority and, if the Port Authority deems appropriate, the execution among the Port Authority, the Lessee, and such Aircraft Operator of a form of consent agreement prepared by the Port Authority. Nothing contained herein shall in any way affect the discretion of the Port Authority in granting or withholding a permit or its consent to a handling agreement proposed by the Lessee and any such permit and/or consent may contain such terms and conditions including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of the Lessee's gross receipts arising therefrom, as the Port Authority may, at that time, elect. All such rates, fees and charges pursuant to any such handling agreement shall be at reasonable and at non-discriminatory rates, fees and charges.

(7) Effective from and after a Gate Termination Date as to each Terminated Gate, the Port Authority and each user of a Terminated Gate, and their respective officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall (x) have the right of ingress and egress between the Terminated Gate and the public

streets outside the Premises, and also the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with others having rights of passage thereon, as well as over the taxiway areas of the Premises, and (y) pay to the Lessee a pro rata share of the Lessee's operating and maintenance costs allocable to the Terminated Gate.

(8) Effective from and after a Gate Termination Date as to each Terminated Gate, the Lessee and its officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall have the right of ingress and egress between public portions of the Terminated Gate and the public streets outside the Premises, and also the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with others having rights of passage thereon, as well as over the taxiway areas of the Premises.

(9) Effective from and after a Gate Termination Date as to each Terminated Gate, each of the Port Authority and any user of the Terminated Gate, on the one hand, and the Lessee, on the other hand, shall indemnify and hold the other harmless for and against its negligence and intentional misconduct in connection with its use of the Terminated Gate and its exercise of its rights pursuant to the foregoing subparagraphs (7) and (8), as the case may be.

(10) So long as any Bonds are Outstanding, the Port Authority will endeavor to make arrangements such that within thirty (30) days after entering into an agreement for the use of any Terminated Gate with a term (including renewal option periods) of more than thirty (30) days or for the use of any Terminated Gate by an airline that does not provide scheduled passenger service as a common carrier, the Port Authority will notify the Lessee of the identity of the user and the term and all renewal option periods provided in such agreement (and, if requested by the Lessee, will provide the Lessee with

additional information regarding the terms of any such renewal options); provided, however, that the Port Authority shall have no liability to the Lessee or any other party for failing to so notify the Lessee, and provided, further, that any such failure shall not excuse the Lessee's or any other party's performance of any obligation to the Port Authority hereunder or under any other agreement.

(e) ***No Waiver.***

(1) The failure of the Port Authority to exercise any of its rights under this Section 45 during any period in which it may have such a right, shall not affect, waive or limit its right to exercise said rights at any subsequent time.

(2) Nothing in this Section shall be deemed to have abrogated, changed or affected any restrictions, limitations or prohibitions on assignment, subletting or use of the Premises by others under this Lease nor shall in any manner affect, waive or change any of the provisions thereof."

11. Amendment to Section 46 of the Lease, "*Additional Rights of the Port Authority as to Portions of the Premises*"

Section 46 of the Lease, entitled "Additional Rights of the Port Authority as to Portions of the Premises", is hereby deleted in its entirety and the following is inserted in its place:

"Section 46. Additional Rights of the Port Authority as to Portions of the Premises

(a) ***Lessee's Commencement Basic Schedule.***

It is hereby agreed that for the purpose of this Section the term the "**Lessee's Commencement Basic Schedule**" shall be and mean for the period from the December 22, 2000 to and including the day immediately preceding the Redevelopment Work Completion Date a "Revenue Seats Daily Average" (as said term is defined in paragraph (f) hereof) of (2.a.) and from and after the Redevelopment Work Completion Date

shall be and mean the Revenue Seats Daily Average for the first full calendar year from and after the Redevelopment Work Completion Date.

(b) ***Lessee's Basic Schedule.***

Commencing with calendar year 2000 and for each and every calendar year thereafter, the Port Authority may ascertain the Revenue Seats Daily Average of the Lessee for the Airport for the preceding calendar year in accordance with the provisions of paragraph (f) hereof, which Revenue Seats Daily Average shall be the Lessee's Basic Schedule for the preceding calendar year and shall be referred to as such. Thus, for example, in the case of the first calculation which would be based on the calendar year 1999 experience, said Revenue Seats Daily Average shall be called the "Lessee's Basic Schedule for 1999".

(c) ***Section 46 Notice to Provide Accommodations; Gate Termination.***

As of January 1, 2000 and as of January 1 of each succeeding calendar year (i) *in the event that* the Lessee's Basic Schedule for the immediately preceding calendar year for the Airport is less than (2.a.) of the Lessee's Commencement Basic Schedule or (ii) *in the event that* because of reasons beyond the control of the Lessee the Lessee's Basic Schedule for the immediately preceding two calendar years is less than (2.a.)) of the Lessee's Commencement Basic Schedule, *then in either of such events* and without limiting each and every other right the Port Authority has under this Agreement or otherwise, the Port Authority shall have the right, upon six (6) months' written notice to the Lessee, (x) to require the Lessee (and the Lessee hereby agrees) to make available Accommodations to Scheduled Aircraft Operators at the Premises in the number (which shall be as set forth in paragraph (g) of this Section) and type of Gates as directed by the Port Authority (such notice, a "**Section 46 Notice to Provide Accommodations**"); or (y) upon payment of the amounts set forth in Section 46(e)(4) below, to terminate the letting under

this Lease as to the number (which shall be as set forth in paragraph (g) of this Section) and type of Gates as the Port Authority may specify (such notice, a "**Section 46 Gate Termination Notice**"); or (z) to serve both a Section 46 Notice to Provide Accommodations and a Section 46 Gate Termination Notice as to any combination of Gates in the number set forth in paragraph (g) hereof. Notwithstanding the foregoing, however, the Port Authority shall give thirty (30) days' prior notice of its intention to give the Section 46 Gate Termination Notice, and it is expressly agreed that the Port Authority shall not exercise the aforementioned right of termination with respect to any portion or portions of the Premises if the Lessee has submitted to the Port Authority definite plans for the use of the entire Premises at least at the levels specified in this Section 46, *provided that* the Lessee in fact commences such use including the portions of the Premises proposed to be terminated by the Port Authority within ninety (90) days after the submission of such plans.

(d) ***Accommodations.***

The Lessee's obligation to provide Accommodations to Scheduled Aircraft Operators shall be effective on the date set forth in the Section 46 Notice to Provide Accommodations. Upon such Notice the Lessee shall use its best efforts to secure an arrangement with a Scheduled Aircraft Operator as directed by the Port Authority for Accommodations in the Premises and shall in good faith negotiate with any such Scheduled Aircraft Operator as the Port Authority shall direct for Accommodations in the Premises, all in accordance herewith; provided, however, that so long as the Lessee shall have negotiated in good faith, the Lessee shall have no obligation to execute an agreement providing for such Accommodations if the Scheduled Aircraft Operator refuses to agree to the Lessee's proposed reasonable and non-discriminatory rates, fees and charges, as described in Section 45(c)(6). The Lessee shall make such Accommodations available, in accordance with Section 45(c) above, from time to time during the

entire period commencing on the effective date set forth in the Section 46 Notice to Provide Accommodations and ending when the Lessee's Basic Schedule for a calendar year, determined in accordance with the foregoing, shall have been seventy percent (70%) or more of the Lessee's Commencement Basic Schedule.

(e) ***Section 46 Gate Termination.***

(1) In the event the Port Authority serves a Section 46 Gate Termination Notice in accordance with the foregoing paragraph (c), the termination of the number and type of Gate or Gates specified in such Notice shall be effective on the date set forth in said Section 46 Gate Termination Notice (the "**Section 46 Gate Termination Date**"), provided that the Lessee and/or the Trustee, as applicable, shall have received the payments set forth in subparagraph (4) below.

(2) As to each Section 46 Gate Termination Notice, upon such termination, the term of the letting as to the Terminated Gates shall cease and expire on the Section 46 Gate Termination Date with the same force and effect as if said date were the date originally stated in this Agreement for the expiration of the term of the letting as to the Terminated Gates. This Agreement and the letting as to all other portions of the Premises (excluding all other previously terminated portions thereof, if any) shall continue in full force and effect. Subject to and conditioned on the provisions of this Section, and only so long as the Lessee provides full and unrestricted access, ingress and egress to and from the Terminated Gate to the Port Authority and each user of the Terminated Gate and its employees, agents, representatives and contractors, (i) the annual Ground Rental payable by the Lessee to the Port Authority hereunder shall, from and after the Section 46 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the annual Ground Rental payable and in effect prior to such termination, (ii) the applicable annual Building

Rental, if any, payable by the Lessee to the Port Authority hereunder shall, from and after the Section 46 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the applicable annual Building Rental, if any, payable and in effect prior to such termination, and (iii) the applicable annual Terminal Rental, if any, payable by the Lessee to the Port Authority hereunder shall, from and after the Section 46 Gate Termination Date, be reduced by an amount equal to the product obtained by multiplying the Pro-Rata Share for each Terminated Gate by the applicable annual Terminal Rental, if any, payable and in effect prior to such termination.

(3) The Port Authority's rights to terminate one or more Gates set forth above may be exercised one or more times until the total applicable Gates have been terminated, without waiving, limiting or impairing any other right of the Port Authority under this Agreement or otherwise.

(4) (i) As a condition to the effectiveness of each Section 46 Gate Termination Date, but only if the Lessee actually surrenders and vacates each Terminated Gate in accordance with all applicable provisions of this Lease, the Port Authority shall be obligated, simultaneously with such surrender by the Lessee, to make a one-time payment to the Lessee and/or the Trustee, as applicable, in the lesser of the amount of (i) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Obligation (such product, the **"Maximum Gate Investment Amount"**) or (ii) the sum of (x) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Bond Obligation (such product, the **"Pro-Rata Bond Gate Investment Amount"**) and (y) the product obtained by multiplying the Pro-Rata Share for such Terminated Gate by the Unamortized Lessee's Net Investment (said product, the **"Pro-Rata Lessee Gate**

Investment Amount"). The Trustee shall, promptly upon the Port Authority's request, provide the Port Authority with the correct amount of the Unamortized Bond Obligation, certified by the Trustee, in sufficient detail as to enable the Port Authority to calculate the Pro-Rata Bond Gate Investment Amount to be paid with respect to each Terminated Gate.

(ii) In accordance with the foregoing subdivision (i), on or before the Section 46 Gate Termination Date, the Port Authority shall pay (x) to the Trustee the portion of the payment constituting a portion of the Unamortized Bond Obligation and (y) to the Lessee the portion of the payment constituting a portion of the Lessee's Net Investment.

(iii) The foregoing and all payments to be made by the Port Authority hereunder shall be subject to Port Authority rights of audit and inspection rights, and shall be subject to the record-keeping obligations of the Lessee under Section 69 hereof.

(iv) For purposes of determining the amount payable in connection with a Terminated Gate under this Section 46, the Lessee shall certify the amounts of the Redevelopment Work Investment and the Expanded Terminal Work Investment, respectively, promptly following the Redevelopment Work Completion Date and the Expanded Terminal Work Completion Date, and the Port Authority shall perform (and the Lessee shall fully cooperate in) an audit of the Redevelopment Work and the Expanded Terminal Work within one year following the date of such respective certification; provided, however, that any such audit shall not preclude the Port Authority, prior to a Gate Termination Date, from revising any such determination based on updated or corrected audit results.

(5) The Lessee shall cooperate with the Port Authority in arrangements at the Premises so that each Aircraft Operator who uses a Terminated Gate may handle itself or be handled by a handling permittee of the Port Authority of its choice, subject to prior written consent of the Port Authority and payment of all applicable fees to the Port Authority. In the event that the Lessee wishes to perform handling services for any such Aircraft Operator, the Lessee shall not do so unless the Lessee has obtained an appropriate handling permit from the Port Authority covering the Lessee's handling of such Aircraft Operator, to be subject to the prior and continuing approval of the Port Authority and payment of all applicable fees to the Port Authority and, if the Port Authority deems appropriate, the execution among the Port Authority, the Lessee, and such Aircraft Operator of a form of consent agreement prepared by the Port Authority. Nothing contained herein shall in any way affect the discretion of the Port Authority in granting or withholding a permit or its consent to a handling agreement proposed by the Lessee and any such permit and/or consent may contain such terms and conditions including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of the Lessee's gross receipts arising therefrom, as the Port Authority may, at that time, elect. All such rates, fees and charges pursuant to any such handling agreement shall be at reasonable and at non-discriminatory rates, fees and charges.

(6) Effective from and after a Gate Termination Date as to each Terminated Gate, the Port Authority and each user of a Terminated Gate, and their respective officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall (x) have the right of ingress and egress between the Terminated Gate and the public streets outside the Premises, and also the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with

others having rights of passage thereon, as well as over the taxiway areas of the Premises, and (y) pay to the Lessee a pro rata share of the Lessee's operating and maintenance costs allocable to the Terminated Gate.

(7) Effective from and after a Gate Termination Date as to each Terminated Gate, the Lessee and its officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall have the right of ingress and egress between public portions of the Terminated Gate and the public streets outside the Premises, and also the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with others having rights of passage thereon, as well as over the taxiway areas of the Premises.

(8) Effective from and after a Gate Termination Date as to each Terminated Gate, each of the Port Authority and any user of the Terminated Gate, on the one hand, and the Lessee, on the other hand, shall indemnify and hold the other harmless for and against its negligence and intentional misconduct in connection with its use of the Terminated Gate and its exercise of its rights pursuant to the foregoing subparagraphs (6) and (7), as the case may be.

(9) So long as any Bonds are Outstanding, the Port Authority will endeavor to make arrangements such that within thirty (30) days after entering into an agreement for the use of any Terminated Gate with a term (including renewal option periods) of more than thirty (30) days or for the use of any Terminated Gate by an airline that does not provide scheduled passenger service as a common carrier, the Port Authority will notify the Lessee of the identity of the user and the term and all renewal option periods provided in such agreement (and, if requested by the Lessee, will provide the Lessee with additional information regarding the terms of any such renewal options); provided, however, that the Port Authority shall have no liability to the Lessee or any other party for failing to so

notify the Lessee, and provided, further, that any such failure shall not excuse the Lessee's or any other party's performance of any obligation to the Port Authority hereunder or under any other agreement.

(f) ***Ascertainment of Revenue Seats Daily Average.***

(1) In the event the Port Authority decides to ascertain the Revenue Seats Daily Average of the Lessee for the preceding calendar year it shall do so as follows: based upon the Official Airlines Guide (herein called the "**Guide**"), or in the event that the Guide shall not list the Lessee's schedules, then based upon the generally accepted United States aviation industry standard published airline schedule reference which shall include the Lessee's published schedules, the Port Authority shall ascertain the total number of revenue seats that were accommodated on the aircraft equipment scheduled to have been used by the Lessee on its published aircraft departures at the Airport as set forth in the Guide during two specified calendar weeks (Sunday through Saturday), the first of which weeks is the one during which the fifteenth (15th) day of February of the prior calendar year fell and the second being the one during which the fifteenth (15th) day of August of the said prior calendar year fell (said week of February together with said week of August being hereinafter collectively called the "**Measuring Period**"), and shall total the said number of revenue seats which are hereinafter called the "**Total Revenue Seats**" of the Lessee. In determining the Total Revenue Seats of the Lessee, the Total Revenue Seats as defined above of those Accommodated Handled Airlines, if any, of the Lessee who were Accommodated Handled Airlines as of the date of such determination and Accommodated Sublessee Airlines at the Premises who were Accommodated Sublessee Airlines on the date of such determination, with respect to the aircraft of the Accommodated Handled Airlines and aircraft of the Accommodated Sublessee Airlines operating at the Premises, shall be included.

(2) In making said determination, the Port Authority shall use the aircraft configurations as supplied by the Lessee for the Measuring Period in question with respect to the number of revenue seats that can be accommodated on the particular aircraft equipment scheduled to be used by the Lessee at the Airport. The Total Revenue Seats of the Lessee shall then be divided by fourteen, the resulting quotient being herein called the **"Revenue Seats Daily Average"** of the Lessee.

(g) (1) Effective from and after the Restructuring Effective Date to the Required Conditions Attainment Date, subject to subparagraph (4) below:

Column A Percentage of the Lessee's Basic Schedule Compared To the Lessee's Commencement Basic Schedule	Column B Number of Gate Positions the Port Authority May Require Accommodations at the Premises and/or May Terminate from the Premises
(2.a.)	(2.a.)

(2) Effective from and after the Required Conditions Attainment Date to the Expanded Terminal Work Completion Date, subject to subparagraph (4) below:

Column A Percentage of the Lessee's Basic Schedule Compared To the Lessee's Commencement Basic Schedule	Column B Number of Gate Positions the Port Authority May Require Accommodations at the Premises and/or May Terminate from the Premises

(3) From and after the Expanded Terminal Work Completion Date, subject to subparagraph (4) below:

Column A Percentage of the Lessee's Basic Schedule Compared To the Lessee's Commencement Basic Schedule	Column B Number of Gate Positions the Port Authority May Require Accommodations at the Premises and/or May Terminate from the Premises
(2.a.)	(2.a.)

(4) The following shall apply when at any time the total number of Gates in the Premises is other than as set forth in subparagraphs (1), (2) and (3) above.

If the number of Gates in the Premises shall decrease as a result of the Port Authority having exercised its rights of termination under this Lease as to a portion or portions of the Premises as set forth in above in this Section,

or if, after the Restructuring Effective Date, the number of Gates in the Premises shall increase (the date of each such increase or decrease of the number of Gates in the Premises being hereinafter called a "**Change Date**") then: commencing with the immediately succeeding Measuring Period following such Change Date the number of Gates which the Port Authority may require Accommodations or may terminate set forth in each Column B above for each percentage set forth in each Column A above shall be adjusted to equal the difference obtained by subtracting from the number of Gates in the Premises on the Change Date, the product obtained by multiplying said percentage by the number of Gates in the Premises on the Change Date, in accordance with the following formula:

$$G - (P \times G) = U$$

Where, G equals the total number of Gates in the Premises on the Change Date,

P equals the applicable percentage under each Column A, and

U equals the number of Gates that the Port Authority may require Accommodations or may terminate from the Premises.

(h) ***No Waiver.***

(1) The failure of the Port Authority to exercise any of its rights under this Section during any period in which it may have such a right, shall not affect, waive or limit its right to exercise said rights at any subsequent time.

(2) Nothing in this Section shall be deemed to have abrogated, changed or affected any restrictions, limitations or prohibitions on assignment, subletting or use of the Premises by others under this Lease nor shall in any manner affect, waive or change any of the provisions thereof."

(i) ***Port Authority's Use of Recaptured Portions of the Premises.***

The Lessee acknowledges and agrees that in the event of the Port Authority's recapture of

portions of the Premises pursuant to the provisions of Sections 45 and 46 of this Lease relating to Gate termination, (x) the Port Authority will use the portions of the Premises so recaptured in such manner as the Port Authority, as the operator of the Airport and the owner of such recaptured portions, may deem appropriate, including without limitation for the purpose of maximizing revenues, and (y) the Port Authority may be in competition with the Lessee in seeking tenants or other users of the portions of the Premises so recaptured.

12. Amendment to Section 91, "*Definitions*"

(a) Section 91 of the Lease is hereby amended, effective as of November 24, 2004, as follows:

(1) The definition of "Basic Lease" is deleted in its entirety and the following is substituted in its place:

> "**Basic Lease**" shall mean the Amended and Restated Agreement of Lease between the City of New York, as landlord, and the Port Authority, as tenant, dated as of November 24, 2004, as the same from time to time may be supplemented or amended and/or restated. Said agreement dated as of November 24, 2004, has been recorded in the Office of the Register of The City of New York, County of Queens, on December 3, 2004 with a City Register File Number of 2004000748687."

(2) The definition of "Environmental Requirement" and "Environmental Requirements" is deleted in its entirety and the following is substituted in its place (to conform to the definition contained in the Amended and Restated Basic Lease):

> "**Environmental Requirement**" shall mean in the singular and "**Environmental Requirements**" shall mean in the plural all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises,

requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "best management practices plans", and other programs adopted and agreements made by the Port Authority (whether adopted or made with or without consideration or with or without compulsion), with any government agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, the foregoing to include without limitation:

(i) all requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist;

(ii) all requirements pertaining to the protection from Hazardous Substances of the health and safety of employees or the public; and

(iii) the Atomic Energy Act of 1954 , 42 U.S.C. Section 2011 *et seq.*; the Clean Water Act also known as the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 *et seq.*; the Clean Air Act, 42 U.S.C. Section 7401 *et seq.*; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 *et seq.*; the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 *et seq.*; the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Section 2701 *et seq.*; the

Emergency Planning and Community Right to Know Act, 42 U.S.C. Section 11001 *et seq.*; the Occupational Safety and Health Act, 29 U.S.C. Section 651 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 *et seq.*; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. Section 2601 *et seq.*; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f-300h-11 *et seq.*; the Oil Pollution Act, 33 U.S.C. Section 2701 *et seq*; the National Environmental Policy Act, 42 USC Section 4321 *et seq.*; the State Environmental Quality Review Act (SEQRA), NY ECL Section 8-0101 *et seq.*; the New York State Environmental Conservation Law; the New York State Navigation Law; together, in each case, with any amendment thereto, and the regulations adopted, guidances, memoranda and publications promulgated thereunder and all substitutions thereof and any other analogous current or future federal, state municipal, city or local laws;

and in the event that there shall be more than one compliance standard, the standard for any of the foregoing shall be that which requires the lowest level of a Hazardous Substance, provided, however, that with respect to removal from the soil and groundwater in the Site of those chemicals set forth in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.3", the compliance standard shall be the respective Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria, and provided, further, that in the use of any Approved Cleanup Criteria the Lessee shall comply with all requirements of all Governmental Authorities for the use thereof, including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such

Approved Cleanup Criteria in certain areas of the Airport, which letter is attached hereto as part of Exhibit 2B.3, and all the requirements of the DEC pursuant to the ACO."

(2) The definition of "Hazardous Substance" and "Hazardous Substances" is deleted in its entirety and the following is substituted in its place (to conform to the definition contained in the Amended and Restated Basic Lease):

"**Hazardous Substance**" shall mean and include in the singular and "Hazardous Substances" shall mean and include in the plural any pollutant, contaminant, toxic or hazardous waste, dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls ("PCBs"), radon, chemicals known to cause cancer, endocrine disruption or reproductive toxicity, petroleum and petroleum products, fractions, derivatives and constituents thereof, of any kind and in any form, including without limitation oil, petroleum, fuel, fuel oil, sludge, crude oil, gasoline, kerosene, and mixtures of, or waste materials containing any of the foregoing, and other gases, chemicals, materials and substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and publications promulgated pursuant thereto."

(b) Section 91 of the Lease is hereby amended, effective as of the date hereof, as follows:

(1) The definition of "Required Conditions" is deleted in its entirety and the following is substituted in its place:

"**Required Conditions**" shall have the meaning provided in Section 3(d) hereof.

(2) The following new terms and definitions shall be deemed added:

"**Additional Land Rental**" shall have the meaning provided in Section 4(i) hereof.

"**Additional Land Rental Adjustment Year**" shall have the meaning provided in Section 4(i) hereof.

"**Additional Land Rental Base Year**" shall have the meaning provided in Section 4(i) hereof.

"**Additional Land Rental Commencement Date**" shall have the meaning provided in Section 4(i) hereof.

"**Additional Land Rental Payment Period**" shall have the meaning provided in Section 4(i) hereof.

"**Change Date**" shall have the meaning provided in Section 46 hereof.

"**Date of Taking**" shall have the meaning provided in Section 18 hereof.

"**Domestic Gate**" shall have the meaning provided in Section 45(d) hereof.

"**Expanded Terminal Work**" shall have the meaning provided in Section 2B(r) hereof.

"**Expanded Terminal Work Completion Date**" shall have the meaning provided in Section 2B(r) hereof.

"**Expanded Terminal Work Comprehensive Plan**" shall have the meaning provided in Section 2B(r) hereof.

"**Expanded Terminal Work Investment**" shall have the meaning provided in Section 2B(r) hereof.

"**FIS**" shall have the meaning provided in Section 45(d) hereof.

"**Gate**" shall mean an airline passenger aircraft loading and unloading gate position and all related (as reasonably determined by the Port

Authority) ramp and passenger terminal facilities, fixtures and space in the Premises, including but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger hold room and waiting areas and appropriate signage and public identification.

"**Guide**" shall have the meaning provided in Section 46(f) hereof.

"**International Gate**" shall have the meaning provided in Section 45(d) hereof.

"**Leasehold Mortgage**" shall have the meaning provided in Section 96 hereof.

"**Leasehold Mortgage Annual Period**" shall have the meaning provided in Section 4(j) hereof.

"**Leasehold Mortgage Rental**" shall have the meaning provided in Section 4(j) hereof.

"**Leasehold Mortgage Termination Fee**" shall have the meaning provided in Section 4(k) hereof.

"**Leasehold Mortgage Termination Date**" shall have the meaning provided in Section 96 hereof.

"**Lessee's Net Investment**" shall have the meaning provided in Section 45(d) hereof.

"**Material Part**" shall have the meaning provided in Section 18 hereof.

"**Maximum Gate Investment Amount**" shall have the meaning provided in Section 45(d) hereof.

"**Measuring Period**" shall have the meaning provided in Section 46(f) hereof.

"**Parcel M**" shall have the meaning set forth in Section 95(a) hereof.

"**Parcel M Construction Notice**" shall have the meaning set forth in Section 96(a) hereof.

"**Parcel M Enlarged Terminal**" shall have the meaning set forth in Section 96(a)(2) hereof.

"**Parcel M Surrender Date**" shall have the meaning set forth in Section 95(c) hereof.

"**Parcel M Tenant**" shall have the meaning set forth in Section 96(a) hereof.

"**Parcel M Termination Notice**" shall have the meaning set forth in Section 95(a) hereof.

"**Pro Rata Bond Gate Investment Amount**" shall have the meaning provided in Section 45(d) hereof.

"**Pro Rata Lessee Gate Investment Amount**" shall have the meaning provided in Section 45(d) hereof.

"**Pro-Rata Share**" shall have the meaning provided in Section 45(d) hereof.

"**Refinancing Leasehold Mortgage Termination Date**" shall have the meaning provided in Section 4(k) hereof.

"**Regional Gate**" shall have the meaning provided in Section 45(d).

"**Requesting Airline**" shall have the meaning provided in Section 45(a) hereof.

"**Required Conditions Attainment Date**" shall have the meaning provided in Section 45(d) hereof.

"**Restructuring Effective Date**" shall have the meaning provided in Section 1 of the Second Supplemental Agreement to this Lease.

"**Restructuring Surrendered Premises**" shall have the meaning provided in Section 2 of the Second Supplemental Agreement to this Lease.

"**Revenue Seats Daily Average**" shall have the meaning provided in Section 46(f) hereof.

"**Section 45 Gate Termination Date**" shall have the meaning provided in Section 45(d) hereof.

"**Section 45 Gate Termination Notice**" shall have the meaning provided in Section 45(d) hereof.

"**Section 45 Notice Period**" shall have the meaning provided in Section 45(b) hereof.

"**Section 45 Notice to Provide Accommodations**" shall have the meaning provided in Section 45(b) hereof.

"**Section 46 Gate Termination Date**" shall have the meaning provided in Section 46 hereof.

"**Section 46 Gate Termination Notice**" shall have the meaning provided in Section 46 hereof.

"**Section 46 Notice to Provide Accommodations**" shall have the meaning provided in Section 46(c) hereof.

"**T-4 Covenant**" shall mean the covenant of the Port Authority set forth in Section 76 of Lease AYC-685 between the Port Authority and JFK International Air Terminal LLC, as it has been amended as of the Restructuring Effective Date, a copy of which is attached hereto as Exhibit T-4; and as it may be further amended by any amendment that (x) renders such covenant less restrictive to the Port Authority but (y) does not restrict to a greater degree, or require the Port Authority to restrict to a greater degree, the use of the Premises.

"**Taking**" shall have the meaning provided in Section 18 hereof.

"**Terminated Gate**" shall have the meaning provided in Section 45(d) hereof.

"**Total Revenue Seats**" shall have the meaning provided in Section 46(f) hereof.

"**Unamortized Bond Obligation**" shall have the meaning provided in Section 45(d) hereof.

"**Unamortized Lessee's Net Investment**" shall have the meaning provided in Section 45(d) hereof.

"**Unamortized Obligation**" shall have the meaning provided in Section 45(d) hereof.

13. Substitution of a New Section 92, "*Leasehold Mortgage - Foreclosure Rights*"

Section 92 of the Lease shall be deleted in its entirety, and the following new Section 92 shall be inserted in lieu thereof to read as follows:

"Section 92. Leasehold Mortgage - Foreclosure Rights

(a) ***Definitions.***

As used in this Section 92 the following terms shall have the following meanings:

"Additional Bond Resolutions" shall mean the resolutions adopted by the IDA in connection with the issuance and sale of Additional Bonds.

"Additional Bonds" shall mean all series of bonds that are issued by the IDA, subsequent to the issuance of the Series 2002 Bonds and the Series 2005 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the Subleases and Indenture, to finance (or reimburse the Lessee for payment of) the costs of the Redevelopment Work and the Expanded Terminal Work (including all reserves, costs of issuance and capitalized interest); provided, however, that each of the Additional Bonds shall mature on or before December 31, 2031 and further that after the issuance of any Additional Bonds, the outstanding debt service on all of the Bonds shall be on a substantially equal annual payment basis (that is, a level debt service), with the sole exception of the Series 2002 Bonds to the extent that the debt service on the Series 2002 Bonds requires a balloon payment of One Hundred Twenty Million Dollars ($120,000,000) on August 1, 2012, or such other payment basis as the Port Authority may agree.

"Additional Supplemental Indentures" shall mean such indentures supplemental or amendatory to the Indenture, which are executed subsequent to the execution of the 2005 Supplemental Indentures in accordance with the

terms and conditions of Section 6.2 of the Consent Agreement.

"Approved Successor Lessee" shall mean a Scheduled Aircraft Operator, or a consortium of Scheduled Aircraft Operators, who shall each meet all of the requirements set forth in paragraph (p) of this Section, including but not limited to the entering into with the Port Authority of the Lease Assignment/Assumption and Consent Agreement (as defined in paragraph (p) of this Section), and thereby become the assignee/purchaser of this Lease with respect to the Mortgaged Premises resulting from the exercise by the Leasehold Mortgagee of its Foreclosure Rights, whether by foreclosure and sale or by assignment in lieu of foreclosure. In the event that the Approved Successor Lessee is a consortium, each of the Scheduled Aircraft Operators which is a member of the consortium (each, a **"Signatory Carrier"**) shall have (x) a "joint and step-up obligation" to the Port Authority with respect to all of the consortium's monetary obligations under this Lease, *i.e.*, each Signatory Carrier is obligated with respect to its pro rata share of the consortium's monetary obligations under this Lease, including, in the event of a default by any other Signatory Carrier, a pro rata share of the defaulting Signatory Carrier's monetary obligations, and (y) a joint and several obligation with respect to all of the consortium's non-monetary obligations under this Lease.

"Bankruptcy Code" shall mean the United States Bankruptcy Reform Act of 1978, as amended, including without limitation amendments made by the Bankruptcy Reform Act of 1994, and as the same may be further amended or supplemented, or any Federal bankruptcy law or laws replacing the foregoing.

"Bankruptcy Rejection Date" shall have the meaning provided in Section 92(n)(1) below.

"Bondholder" and "Bondholders" shall mean, respectively, (i) each holder of a Bond or Bonds and (ii) all holders of all the Bonds.

"**Bonds**" shall mean, collectively, the Series 2002 Bonds, the Series 2005 Bonds and the Additional Bonds; provided, however, that the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage shall be limited to a maximum amount of Two Billion Dollars ($2,000,000,000) for the Redevelopment Work or, if the Lessee performs the Expanded Terminal Work, a maximum amount of Two Billion Three Hundred Million Dollars ($2,300,000,000), in each instance determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents; and provided, further, however, that all Bonds shall have a maturity date on or before December 31, 2031 and that the outstanding debt service on all of the Bonds shall be on a substantially equal annual payment basis (that is, a level debt service), with the sole exception of the Series 2002 Bonds to the extent that the debt service on the Series 2002 Bonds requires a balloon payment of One Hundred Twenty Million Dollars ($120,000,000) on August 1, 2012, or such other payment basis as the Port Authority may agree. Nothing in the foregoing shall mean or be deemed to mean that the Port Authority shall have any obligation to consent to or approve the Expanded Terminal Work, it being understood and agreed that any such consent or approval shall be given only as provided in Section 2B of the Lease.

"**Bonds Default**" shall have the meaning provided in paragraph (g) of this Section.

"**Bonds Default Foreclosure Election Notice**" shall have the meaning provided in paragraph (g) of this Section.

"**Bond Resolutions**" shall mean, collectively, (x) the resolution adopted by the IDA on December 9, 1999, (y) the resolution adopted by the IDA on October 23, 2001, as amended November 13, 2001, September 13, 2005, and October 11, 2005, and (z) all Additional Bond Resolutions.

"**Company Sublease**" shall have the meaning given to such term in the Consent Agreement.

"**Consent Agreement**" shall mean the Amended and Restated Consent to Subleases and Leasehold Mortgage Agreement, dated as of the Restructuring Effective Date, entered into by and among the Port Authority, the Lessee, AMR Corporation, the Trustee and the IDA.

"**Financing Documents**" shall have the meaning given to such term in the Consent Agreement.

"**Financing Transaction**" shall mean the issuance of the Bonds for the financing of (or reimbursement to the Lessee for) the costs of the Redevelopment Work and the Expanded Terminal Work (including all reserves, costs of issuance and capitalized interest) and all the transactions documented by the Financing Documents that support and facilitate such issuance.

"**Foreclosure Election Notice**" shall have the meaning provided in Section 92(g) below.

"**Foreclosure Election Notice Service Date**" shall have the meaning provided in Section 92(g) below.

"**Foreclosure Election Period**" shall have the meaning provided in Section 92(g) below.

"**Foreclosure Period**" shall have the meaning provided in Section 92(i) below.

"**Foreclosure Rights**" shall mean the right, pursuant to the provisions of this Section 92, to foreclose upon the Leasehold Mortgage and to have this Lease with respect to the Mortgaged Premises assigned to an Approved Successor Lessee.

"**Guaranties**" shall have the meaning given to such term in the Consent Agreement.

"**IDA**" shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation

created and existing under and by virtue of the laws of the State of New York.

"IDA Sublease" shall have the meaning given to such term in the Consent Agreement, as amended by all IDA Sublease Amendments.

"IDA Sublease Amendments" shall mean written amendments amendatory to the IDA Sublease which are executed subsequent to the execution of the IDA Sublease in accordance with the terms and conditions of Section 6.2 of the Consent Agreement.

"Indenture" shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the IDA and The Bank of New York, as Trustee, as amended, modified or supplemented by the 2002 Supplemental Indentures, the 2005 Supplemental Indenture(s) and all Additional Supplemental Indentures.

"Lease Assignment/Assumption and Consent Agreement" shall have the meaning provided in paragraph (p)(3) of this Section.

"Lease Assignment/Assumption Commencement Date" shall have the meaning provided in paragraph (p)(3) of this Section.

"Leasehold Mortgage" shall mean the mortgage, dated as of the Restructuring Effective Date, to be granted by the Lessee to the Leasehold Mortgagee, a form of which is attached to the Consent Agreement as Exhibit G, and which is subject to this Lease, including this Section.

"Leasehold Mortgagee" shall mean the Trustee acting in its capacity as "Leasehold Mortgagee" under the Leasehold Mortgage.

"Leasehold Mortgagee's Foreclosure Period Commencement Payments" shall mean all amounts due and owing to the Port Authority under this Lease which have accrued for any and all periods up to the Foreclosure Election Notice Service Date, including without limitation the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Additional Land Rental, the Leasehold Mortgage

Rental, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

"Leasehold Mortgagee's Foreclosure Period Current Basis Payments" shall mean all amounts due and owing to the Port Authority under this Lease on a current basis as the same become due and payable to the Port Authority under this Lease commencing as of the first day of the Foreclosure Period, including without limitation the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Additional Land Rental, the Leasehold Mortgage Rental, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee.

"Leasehold Mortgagee's Foreclosure Period Obligations" shall have the meaning provided in paragraph (j) of this Section.

"Leasehold Mortgage Termination Date" shall have the meaning provided in paragraph (b)(6) of this Section.

"Lessee Bankruptcy" shall have the meaning provided in Section 92(n)(1) below.

"Mortgaged Premises" shall mean the premises with respect to which the leasehold interest hereunder is mortgaged to the Leasehold Mortgagee pursuant to the Leasehold Mortgage.

"Notice of Termination" shall have the meaning set forth in paragraph (f) of this Section.

"Notice of Termination Service Date" shall have the meaning set forth in paragraph (f) of this Section.

"Outstanding" shall have the meaning given to such term in the Indenture.

"Proposed Successor Lessee" shall have the meaning set forth in paragraph (p)(1) of this Section.

"Related Party" shall have the meaning provided in paragraph (p)(2) of this Section.

"Section 19 Assignee" shall mean a Scheduled Aircraft Operator to whom the Lessee has assigned its leasehold interest under this Lease with the prior written consent of the Port Authority or as otherwise permitted in Section 19 of the Lease.

"Series 2002 Bonds" shall mean, collectively, the $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the IDA issued, executed, authenticated and delivered under the Indenture.

"Series 2005 Bonds" shall mean, the $800,000,000 Special Facility Revenue Bonds, Series 2005 (American Airlines, Inc. John F. Kennedy International Airport Project) of the IDA issued, executed, authenticated and delivered under the Indenture.

"Subleases" shall mean, collectively, the Company Sublease and the IDA Sublease.

"Successor Trustee" shall mean a successor to the Trustee, selected and appointed

in accordance with the Indenture, which has delivered a Certificate of Assumption and Agreement in accordance with the Indenture and Section 6.4 of the Consent Agreement.

"Supplement No. 2 to the Lease" shall mean the supplemental agreement, dated as of the Restructuring Effective Date, supplementing and amending the Lease.

"Termination Effective Date" shall have the meaning set forth in paragraph (f) of this Section.

"Trustee" shall mean The Bank of New York, or any Successor Trustee under the Indenture.

"Unfavorable Experience" shall have the meaning provided in paragraph (p)(2) of this Section.

(b) ***Leasehold Mortgage.***

(1) The Lessee hereby represents to the Port Authority (x) that the Lessee intends to finance (and reimburse itself for) the costs of the Redevelopment Work and the Expanded Terminal Work (including reserves, costs of issuance and capitalized interest), together with associated personal property, with the proceeds of the Bonds issued by the IDA pursuant to the Financing Transaction, (y) that contemporaneously with the execution of Supplement No. 1 to this Lease, the Lessee executed certain of the Financing Documents and (z) that contemporaneously with the execution of Supplement No. 2 to this Lease, the Lessee has executed certain of the Financing Documents subject to the execution by the Lessee, the Port Authority, the Trustee, AMR and the IDA of the Consent Agreement.

(2) It is expressly acknowledged that the intent of the parties hereto is that the Leasehold Mortgage is to be granted by the Lessee to the Trustee pursuant to the provisions hereof, solely for the purposes of allowing the Trustee in its capacity as Leasehold Mortgagee to exercise its Foreclosure Rights with respect to the Mortgaged Premises, as the implementation of

the security afforded to the Bondholders solely with respect to the Mortgaged Premises by virtue of the Leasehold Mortgage, and to obtain an Approved Successor Lessee during the Foreclosure Period if it elects to do so pursuant to this Section.

(3) Notwithstanding the provisions of Section 19 of this Lease and any other provision of this Lease, and without otherwise limiting the generality thereof, American Airlines, Inc., the Lessee hereunder on the Restructuring Effective Date, shall have the right (**exercisable only one time and only as part of the Financing Transaction**) to execute the Leasehold Mortgage and to date, execute, deliver and record the same in accordance with this Lease, including without limitation this Section 92, and the Consent Agreement, provided that the Consent Agreement shall have been duly executed by all the parties thereto and have been delivered by the Port Authority to the other parties thereto. It is hereby understood and agreed that there shall be only one (1) Leasehold Mortgage.

(4) It is hereby understood and agreed that in no event shall the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage exceed the amount of Two Billion Dollars ($2,000,000,000), determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents, provided, however, that if the Lessee shall have commenced the performance of the Expanded Terminal Work in accordance with all the terms and conditions of paragraph (r) of Section 2B of this Lease, then from and after such commencement the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage shall not exceed the amount of Two Billion Three Hundred Million Dollars ($2,300,000,000), determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents. Nothing in the foregoing shall mean or be deemed to mean that the Port Authority shall have any obligation to consent to or approve the Expanded Terminal Work,

it being understood and agreed that any such consent or approval of the Expanded Terminal Work shall be given only as provided in Section 2B of this Lease.

(5) It is hereby understood and agreed that the Leasehold Mortgage shall only secure the obligations of (i) American Airlines, Inc. (including its permitted successors as Guarantor pursuant to and under the American Airlines Guaranty, provided that each such permitted successor is then the Lessee under this Lease) under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR Corporation (including its permitted successors as Guarantor pursuant to and under the AMR Guaranty) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds.

(6) Without limiting Section 19 or any other term or provision of this Lease or any term or provision of the Consent Agreement, and notwithstanding anything herein or in the Financing Documents, the Leasehold Mortgage or any consent or approval of the Port Authority thereto to the contrary, the Leasehold Mortgage shall become effective only upon the Restructuring Effective Date, and the Leasehold Mortgage (and the Foreclosure Rights) shall automatically terminate and end in any event upon the date of the earliest to occur of the following (such date, the **"Leasehold Mortgage Termination Date"**):

(i) the expiration, surrender or termination of the Basic Lease;

(ii) the expiration, surrender or termination of this Lease, except that the Leasehold Mortgage and the Foreclosure Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of subdivision (i) or subdivisions (iii) through (xi) of this Section 92(b)(6)) shall not terminate solely due to a deemed termination of this Lease, pursuant to Section 52(a) of this Lease, solely due to the occurrence of a Triggering Event;

(iii) the termination of the consent granted under the Consent Agreement as to the Leasehold Mortgage pursuant to Section 5.2 of the Consent Agreement;

(iv) the termination, expiration or surrender (including without limitation discharge or release) of both of (x) the American Airlines Guaranty, as such term is defined in the Consent Agreement (except that if payment obligations of American Airlines, Inc. {including its permitted successors pursuant to and under the American Airlines Guaranty as the Guarantor thereunder, provided each such permitted successor is then the Lessee under this Lease} thereunder with respect to the payment of principal, interest, or premium on the Bonds remain Outstanding and unpaid, then upon the date when there are no such payment obligations remaining Outstanding and unpaid); and (y) the AMR Guaranty, as such term is defined in the Consent Agreement (except that if payment obligations of AMR {including its permitted successors pursuant to and under the AMR Guaranty as the Guarantor thereunder} thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain Outstanding and unpaid, then upon the date when there are no such obligations remaining Outstanding and unpaid);

(v) the date on which no Bonds shall be Outstanding;

(vi) the expiration of the Foreclosure Election Period without the Leasehold Mortgagee's due and timely election to exercise its Foreclosure Rights in accordance with the terms of this Section;

(vii) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Foreclosure Rights hereunder;

(viii) the effective date of the letting of the Mortgaged Premises hereunder, whether for the full term or otherwise, to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Foreclosure Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of a Lease Assignment/Assumption Commencement Date, provided, however, that nothing contained in this subdivision (viii) shall or shall be deemed to have changed any term or provision of this Section 92, including without limitation paragraph (p) hereof;

(ix) the Lease Assignment/ Assumption Commencement Date;

(x) the expiration or earlier termination or cancellation of the Foreclosure Period; and

(xi) December 31, 2036.

(9) The Leasehold Mortgagee shall not assign or transfer the Leasehold Mortgage to any Person other than a Successor Trustee. Each Successor Trustee shall be obligated under this Section and also under the Consent Agreement, pursuant to the terms of Section 6.4 of the Consent Agreement, and shall hold the Leasehold Mortgage subject to all the terms and provisions of this Section as if it were the original Leasehold Mortgagee.

(10) Any approval or consent by the Port Authority hereunder, whether to the Leasehold Mortgage or to any assignment thereof, shall apply only to the specific transaction thereby authorized and shall not relieve the Lessee or the Leasehold Mortgagee from the requirement of obtaining the prior approval or consent of the Port Authority to each and every further assignment of the Leasehold Mortgage (except if otherwise expressly permitted hereunder without such approval).

(11) Provided that nothing in this paragraph shall in any way impair or limit the

rights of the Leasehold Mortgagee under this Section or the Leasehold Mortgagee's rights against the Lessee under the Leasehold Mortgage, which shall be in accordance with and subject to this Section, and notwithstanding anything contained in the Leasehold Mortgage or any consent or approval of the Port Authority thereto, it is understood and agreed that the rights of the Leasehold Mortgagee shall in all respects be as specified in the Leasehold Mortgage and this Section, and shall be subject to the terms, covenants, conditions and provisions set forth in this Lease and the Consent Agreement. The terms, covenants, conditions and provisions of this Lease shall govern as between the Port Authority and the Lessee. As between the Port Authority and the Leasehold Mortgagee, in the event of any inconsistency between the terms, covenants, conditions and provisions of this Lease and the terms, covenants, conditions and provisions of the Leasehold Mortgage or the Indenture or any of the other Financing Documents, the terms, covenants, conditions and provisions of this Lease shall control.

(12) Neither this Section nor the Leasehold Mortgage shall prevent the Lessee from amending this Lease without the approval of the Leasehold Mortgagee, provided, however, that:

(i) until the Leasehold Mortgage shall have terminated as provided in paragraph (b)(6) of this Section, no amendment shall be made to this Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) until the Leasehold Mortgage shall have terminated as provided in paragraph (b)(6) of this Section, no amendment which shall only affect an Approved Successor Lessee who is not then the Lessee, without affecting the Lessee, shall be made to this Lease without the prior written consent of the Leasehold Mortgagee.

(13) Except as expressly authorized in this Section, the Lessee shall not mortgage the Lessee's interest in this Lease or the letting hereunder in whole or in part, or any portion of the Premises or the Lessee's subleasehold interests under the Subleases in whole or in part. The foregoing shall not prohibit the IDA's pledge, pursuant to the Indenture, of its interests under the IDA Sublease and the execution of any financing statements relating to the same.

(14) Neither an Approved Successor Lessee nor any other Person purchasing or succeeding to the leasehold hereunder shall have any right to pledge or mortgage the leasehold hereunder or any portion of the Premises.

(c) ***Limitations on Leasehold Mortgagee's Right to Use and Occupy Mortgaged Premises.***

The Leasehold Mortgagee shall not have any right in or to the occupancy or use of the Mortgaged Premises except (A) to the extent necessary to cure Lessee's default in accordance with paragraph (e) of this Section and (B) to fulfill the Leasehold Mortgagee's obligations under paragraph (i)(2) of this Section. The Leasehold Mortgagee shall not enter into or be entitled to enter into possession of the Mortgaged Premises under this Lease except to the extent afforded to it under this Lease.

(d) ***Leasehold Mortgagee Notices.***

Notices, statements and requests by or to the Leasehold Mortgagee under the provisions of this Section shall be governed by Section 32 of this Lease, entitled "Notices", and shall be given to the Leasehold Mortgagee at 101 Barclay Street, New York, New York 10286 or to such other address as The Bank of New York or a Successor Trustee shall have last furnished to the Port Authority in writing for the purpose of sending of notices to the Leasehold Mortgagee pursuant to this Section.

(e) ***Notices of Default.***

(1) The Port Authority shall send to the Leasehold Mortgagee a copy of each notice of default given under Section 20 of this Lease, entitled "Termination by the Port Authority", or otherwise at the same time as and whenever any such notice of default shall have been sent to the Lessee, and (so long as the Leasehold Mortgage is in effect) no notice of default given by the Port Authority shall be deemed to have been given by the Port Authority unless and until a copy thereof shall have been so given to the Leasehold Mortgagee.

(2) The Lessee irrevocably directs that the Port Authority accept, and the Port Authority agrees to accept, the curing of such default with respect to the Mortgaged Premises by the Leasehold Mortgagee as if and with the same force and effect as though cured by the Lessee. In addition, with respect to a Notice of Termination under Section 3(c), a copy of which is required to be sent to the Leasehold Mortgagee pursuant to the following paragraph (f), the Lessee also irrevocably directs that the Port Authority accept, and the Port Authority agrees to accept, the satisfaction of the Required Conditions by the Leasehold Mortgagee as if and with the same force and effect as though satisfied by the Lessee.

(f) ***Notices of Termination.***

If the Port Authority shall elect to terminate the letting of the Premises under this Lease pursuant to Section 20 of this Lease, entitled "Termination by the Port Authority", or otherwise (including a termination pursuant to an election by the Port Authority to terminate the letting of the Premises under this Lease (x) pursuant to Section 3(c) of this Lease or (y) during a month-to-month tenancy of this Lease following a Trigger Event as provided in Section 52 of this Lease), then, the Port Authority shall at the same time send to the Leasehold Mortgagee a copy of the written notice of such termination (the "**Notice of Termination**"; and the date of sending thereof, the "**Notice of Termination**

Service Date"), and (so long as the Leasehold Mortgage is in effect) no Notice of Termination given by the Port Authority shall be deemed to have been given by the Port Authority unless and until a copy thereof shall have been so given to the Leasehold Mortgagee. The effective time and date of such termination (the **"Termination Effective Date"**), so long as the Leasehold Mortgage is in effect (and notwithstanding Section 20(a) of this Lease), shall not be before 11:59 p.m. New York City time on the thirtieth (30th) day after the Notice of Termination Service Date, and shall be subject to the extension provided in paragraph (g)(2) of this Section and to the stay provided in paragraph (i)(2) of this Section.

(g) ***Election to Exercise Foreclosure Rights.***

(1) **"Bonds Default"** shall mean either (x) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (y) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture and an event of default under the Leasehold Mortgage giving the Leasehold Mortgagee the right to foreclose the Leasehold Mortgage.

"Bonds Default Foreclosure Election Notice" shall mean a notice given by the Leasehold Mortgagee to the Port Authority in accordance with the provisions of paragraph (g)(3) below, (A) certifying that a Bonds Default has occurred and is continuing, and (B) stating the Leasehold Mortgagee's affirmative election to exercise the Foreclosure Rights.

"Foreclosure Election Notice" shall mean a notice given by the Leasehold

Mortgagee to the Port Authority in accordance with the provisions of paragraph (g)(3) below, stating the Leasehold Mortgagee's affirmative election to exercise the Foreclosure Rights, and shall include a Bonds Default Foreclosure Election Notice.

"**Foreclosure Election Notice Service Date**" shall have the meaning provided in paragraph (g)(3) of this Section.

"**Foreclosure Election Period**" shall mean (except with respect to the Bonds Default Foreclosure Election Notice, for which there is no Foreclosure Election Period) the period commencing on the earlier to occur of (x) the Notice of Termination Service Date and (y) the Bankruptcy Rejection Date (such earlier date, the "**Foreclosure Election Commencement Date**"), and expiring at 11:59 p.m. New York City time on the thirtieth (30th) consecutive day thereafter or, if extended in accordance with the terms of the following subparagraph, on the one hundred fiftieth (150th) day thereafter (such date of expiration, the "**Foreclosure Election Expiration Date**"); provided, however, that as of the date and during the pendency of any Lessee Bankruptcy, the counting of days during the Foreclosure Election Period shall be tolled until (p) the conclusion of the Lessee Bankruptcy or (q) the Bankruptcy Rejection Date, whichever date is earlier, and provided, further, that in the event of such tolling, the Foreclosure Election Expiration Date shall be not less than thirty (30) days following the conclusion of the Lessee Bankruptcy.

(2) By giving notice to the Port Authority not later than 11:59 p.m. New York City time on the thirtieth (30th) consecutive day after the Foreclosure Election Commencement Date, the Leasehold Mortgagee shall have the right to extend the Foreclosure Election Period, and the Termination Effective Date (if applicable) to the date that is the one hundred fiftieth (150th) day after the Foreclosure Election Commencement Date.

(3) If the Leasehold Mortgagee desires to exercise the Foreclosure Rights, the Leasehold

Mortgagee shall, on or prior to the Foreclosure Election Expiration Date, (x) give to the Port Authority a Foreclosure Election Notice and (y) simultaneously pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Commencement Payments (the date of such timely service of notice and simultaneous payment, the "**Foreclosure Election Notice Service Date**"); for purposes of the foregoing, a Bonds Default Foreclosure Election Notice (with respect to which there is no Foreclosure Election Period) shall be deemed to have been given "prior to the Foreclosure Election Expiration Date" so long as it is given prior to the occurrence of any Foreclosure Election Commencement Date.

(4) In the event of the failure of the Leasehold Mortgagee to elect to exercise its Foreclosure Rights by the timely service of its Foreclosure Election Notice and the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments in accordance with this Section, this Lease and the letting of the Mortgaged Premises shall be deemed terminated effective immediately on the Foreclosure Election Expiration Date, or on the effective date of any other notice of termination served by the Port Authority in accordance with the Section of this Lease entitled "Termination by the Port Authority", and the Port Authority, in addition to pursuing any or all of its rights and remedies under this Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Trustee, the Leasehold Mortgagee, the IDA or the Bondholders.

(h) ***Information Statements.***

(1) For purposes of the Leasehold Mortgagee's making of the Leasehold Mortgagee's Foreclosure Period Commencement Payments, the Port Authority agrees, upon the request of the Leasehold Mortgagee made not less than ten (10) days prior to the Foreclosure Election Expiration Date (or upon the Port Authority's receipt of notice from the Leasehold Mortgagee that the

Leasehold Mortgagee is considering a potential Bonds Default and needs to determine the amount of the Leasehold Mortgagee's Foreclosure Period Commencement Payments) to send to the Leasehold Mortgagee a statement setting forth the Leasehold Mortgagee's Foreclosure Period Commencement Payments.

(2) After the written request of the Leasehold Mortgagee to the Port Authority which may be made from time to time (but not more frequently than once per calendar month) up to the end of the Foreclosure Period, the Port Authority shall promptly provide to the Leasehold Mortgagee a statement of amounts invoiced by the Port Authority to the Lessee during the sixty-(60-) day period preceding the date of each request and setting forth the unpaid amounts, if any, owing or estimated to be owing to the Port Authority by the Lessee under this Lease at the date of the request.

(3) Any statement provided by the Port Authority pursuant to the foregoing paragraphs (h)(1) and (h)(2) shall not be conclusive as to the relevant amounts actually owed for the periods in question and shall not release or relieve the Lessee or the Leasehold Mortgagee from any amounts due for such periods, notwithstanding any failure to include all amounts due and owing, and shall not preclude the Port Authority from rendering a billing for the same. Notwithstanding the foregoing, however, the amounts set forth in the information statement to be provided pursuant to paragraph (h)(1) above, although not conclusive as to the amounts actually owed, shall be deemed sufficient for purposes of determining the amount to be paid as the Leasehold Mortgagee's Foreclosure Period Commencement Payments, in order to establish the Foreclosure Election Notice Service Date and the commencement of the Foreclosure Period.

(4) Neither the provisions of this paragraph (h) nor any information statement provided hereunder shall be deemed to impair, restrict, limit, alter or affect any claim, right or remedy of the Port Authority under this Lease

or otherwise, including without limitation the right to serve a Notice of Termination under the Lease, or to limit the amounts forming the basis for any termination of this Lease by the Port Authority or for which the Lessee may be liable under Section 23 of this Lease entitled "Survival of the Obligations of the Lessee", nor shall the same impose or create any liability on the Port Authority to, or be the basis of any claim against the Port Authority by, the Lessee, the Leasehold Mortgagee, the Bondholders or any of them, the IDA or any other party or Person with respect to such information statement, so long as the Port Authority has provided the same in good faith, and no such information statement shall be binding on the Port Authority or constitute or be deemed to constitute any waiver or estoppel of any claim, right or remedy of the Port Authority.

(i) ***Foreclosure Period***

(1) **"Foreclosure Period"** shall mean the period *commencing* on the Foreclosure Election Notice Service Date, provided, however, that the Foreclosure Period shall not commence if any of the terms and conditions of paragraph (g) of this Section shall not have been satisfied, including without limitation the payment of the Leasehold Mortgagee's Foreclosure Period Commencement Payments simultaneously with the giving of the Foreclosure Election Notice to the Port Authority, and *expiring* on the earliest to occur of (w) the one thousand ninety-fifth ($1,095^{th}$) consecutive day following the Foreclosure Election Notice Service Date, (x) the Lease Assignment/Assumption Commencement Date, (y) the transfer of title to the Lessee's interest in the Mortgaged Premises under this Lease pursuant to the issuance of a final judgment of foreclosure by a court of competent jurisdiction and (z) any termination or expiration of the Leasehold Mortgage as provided in this Section; provided, however, that the Foreclosure Period shall be subject to earlier termination as provided in paragraph (k) of this Section and (except as otherwise expressly provided) to the tolling of the running of the Foreclosure Period pursuant to paragraphs (i)(3) and (p)(4) of this Section or

to the suspension of the running of the Foreclosure Period pursuant to paragraph (n)(3)(ii) of this Section.

(2) In the event that a Notice of Termination is served, or has been served and is pending, during the Foreclosure Period, such Notice of Termination shall be deemed stayed during the balance of the Foreclosure Period, and such Foreclosure Period may continue so long as the Leasehold Mortgagee shall comply with all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation its continued payments of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(3) As of the date and during the pendency of any Lessee Bankruptcy, notwithstanding anything herein to the contrary, the counting of days and the Leasehold Mortgagee's Foreclosure Period Obligations in connection with any then-pending Foreclosure Period shall be deemed suspended and held in abeyance until the earlier of (i) the conclusion of the Lessee Bankruptcy or (ii) the Bankruptcy Rejection Date, provided, however, that nothing in the foregoing shall or shall be deemed to suspend or hold in abeyance any of the Lessee's obligations under this Lease, all of which obligations shall remain in full force and effect.

(4) Notwithstanding anything herein to the contrary, if, during the pendency of any Foreclosure Period, the Bonds Default and/or Lease default giving rise to such Foreclosure Period, or any subsequent Bonds Defaults or Lease defaults thereafter occurring, are cured, or waived by the Port Authority (or the Leasehold Mortgagee in connection with a Bonds Default), as applicable, in accordance with the applicable agreement(s) prior to the Lease Assignment/Assumption Commencement Date and any pleading/proceedings based upon such Bonds Defaults or lease defaults are dismissed with prejudice, then such Foreclosure Period shall be deemed not to have occurred (provided that any amounts paid or owing to the Port Authority as of

the date thereof shall be retained by, or continue to be owing to, the Port Authority, as applicable).

(j) ***Leasehold Mortgagee's Foreclosure Period Obligations.***

The Trustee as Leasehold Mortgagee shall have all of the following obligations upon the commencement of and during the Foreclosure Period (all of the following obligations, collectively, the **"Leasehold Mortgagee's Foreclosure Period Obligations"**):

(i) From the first day of the Foreclosure Period and at all times during the continuation of the Foreclosure Period (and in addition to the Leasehold Mortgagee's Foreclosure Period Commencement Payments) the Leasehold Mortgagee shall pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Current Basis Payments on a current basis, as and when due under this Lease, to the extent such amounts are not paid by Lessee.

(ii) At all times during the Foreclosure Period the Leasehold Mortgagee shall use all reasonable efforts to preserve the value of the Mortgaged Premises until it has control of the Mortgaged Premises, and thereafter shall fulfill all obligations under this Lease with respect to the preservation of the Mortgaged Premises;

(iii) Promptly upon any commencement of the Foreclosure Period, whether triggered by a default under this Lease (Notice of Termination or Bankruptcy Rejection Date) or a Bonds Default, the Leasehold Mortgagee shall (to the extent permitted by law) commence, and throughout the Foreclosure Period diligently and in good faith continue and seek to complete, proceedings to foreclose upon the Leasehold Mortgage, including eviction of the Lessee in the event the Lessee fails to vacate the Mortgaged Premises.

(iv) From time to time, promptly following the Port Authority's request, the Leasehold Mortgagee shall deliver to the Port Authority the Leasehold Mortgagee's certified statement as to the status of the proceedings to foreclose upon the Leasehold Mortgage.

(k) ***Termination of Foreclosure Period.***

(1) If the Leasehold Mortgagee fails to timely pay any of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, and such failure has not been cured within twenty (20) days after notice from the Port Authority, or fails to fully and duly perform any of the other Leasehold Mortgagee's Foreclosure Period Obligations, and such failure has not been cured within thirty (30) days after notice from the Port Authority (except where fulfillment of the obligation requires activity over a period of time, and the Leasehold Mortgagee shall have commenced to perform whatever may be required for fulfillment within such thirty-day period and continues such performance without interruption except for causes beyond its control), the Foreclosure Period and the Foreclosure Rights and the Leasehold Mortgage shall automatically terminate without any further act on the part of the Port Authority, and any Notice of Termination previously stayed shall become fully effective as provided below. Notwithstanding anything herein to the contrary but without limiting subparagraph (2) below or paragraph (o) of this Section, the automatic termination of the Foreclosure Period, the Foreclosure Rights and the Leasehold Mortgage shall be the sole right or remedy of the Port Authority for the failure of the Leasehold Mortgagee to pay the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, provided, however, that the foregoing shall not be deemed to preclude the Port Authority from charging any late payment or other fees and charges that the Port Authority would be entitled to collect under this Lease in the event of any late payment or performance of the Lessee's obligations under this Lease.

(2) Upon any expiration, termination or cancellation of the Foreclosure Period (other than by reason of a final judgment of foreclosure by a court of competent jurisdiction or an assignment of lease in lieu of foreclosure), the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises, and this Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said termination of the Foreclosure Period in accordance with Section 20 of this Lease, entitled "Termination by the Port Authority", and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(l) ***Port Authority Use of Mortgaged Premises during Foreclosure Period.***

Without limiting the terms and conditions of Sections 45, 46 and 95 hereof and in addition thereto, during the Foreclosure Period, as to any and all portions of the Mortgaged Premises which the Lessee has vacated or from which the Lessee has been evicted, the Port Authority, until such time as the Leasehold Mortgagee obtains an Approved Successor Lessee, may use or grant the use of such portion or portions of the Mortgaged Premises on a temporary basis (subject to a thirty (30) day right of termination by the Port Authority without cause) to other Aircraft Operators who have not conducted scheduled passenger aircraft operations at the Airport within the immediately prior thirty-six (36) calendar months, which shall be deemed a subuse under this Lease and shall not impair or limit any of the obligations or liabilities of the Lessee or the Leasehold Mortgagee; any net amount received by the Port Authority (after deducting all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith) shall be credited, as the Port

Authority shall determine, either to the obligations of the Lessee to the Port Authority under this Lease and/or the Leasehold Mortgagee's Foreclosure Period Current Basis Payments. No such subuse shall be or be construed to be an acceptance of a surrender or a waiver of any claims, rights or remedies of the Port Authority or to be a Foreclosure by the Leasehold Mortgagee, or to limit the Foreclosure Rights of the Leasehold Mortgagee under this Section.

(m) ***Termination of Foreclosure Rights on Expiration of Foreclosure Period.***

In the event that at the expiration of the Foreclosure Period there has not occurred (x) a transfer of title to the Lessee's interest in the Mortgaged Premises under this Lease pursuant to the issuance of a final judgment of foreclosure by a court of competent jurisdiction or (y) an assignment-in-lieu-of-foreclosure of the Lessee's interest in the Mortgaged Premises under this Lease, then upon the expiration of the Foreclosure Period the Foreclosure Rights and the Leasehold Mortgage shall terminate automatically and the Trustee shall have no further rights or obligations with respect to Foreclosure, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises and this Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said expiration of the Foreclosure Period in accordance with Section 20 of this Lease, entitled "Termination by the Port Authority", and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(n) ***Lessee Bankruptcy.***

(1) **"Bankruptcy Rejection Date"** shall mean the later of (x) the date set forth in the final, non-appealable order of the bankruptcy

court as the effective date thereof for the rejection of this Lease by the Lessee and (y) the actual date that such order of the bankruptcy court becomes final and non-appealable.

"Lessee Bankruptcy" shall mean the filing by the Lessee of a voluntary petition under the Bankruptcy Code or the filing of an involuntary petition against the Lessee under the Bankruptcy Code, and the pendency of proceedings pursuant thereto.

(2) The fact that the Bankruptcy Rejection Date may trigger the Foreclosure Election Period pursuant to Section 92(g) above shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of this Lease or the Lessee Bankruptcy.

(3) In the event of the occurrence of a Lessee Bankruptcy prior to the commencement of the Foreclosure Period,

(i) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns this Lease to an assignee which assignee also assumes this Lease subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, redemption premium and interest on any of the Bonds) and there are then Bonds Outstanding, then the Foreclosure Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises, with Foreclosure Rights and a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(ii) if the Lessee as debtor in possession or the bankruptcy trustee rejects this Lease, then the Foreclosure Election Period shall commence upon the Bankruptcy Rejection Date, and the provisions of paragraph (g) hereof shall apply.

(4) In the event of the occurrence of a Lessee Bankruptcy subsequent to the commencement of the Foreclosure Period,

(i) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns this Lease to an assignee which assignee also assumes this Lease subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, redemption premium and interest on the Bonds) and there are then Bonds Outstanding, then the Foreclosure Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises, with Foreclosure Rights and a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(ii) if the Lessee as debtor in possession or the bankruptcy trustee rejects this Lease, then the running of the previously commenced Foreclosure Period shall be deemed suspended as of the date of the Lessee Bankruptcy and shall resume as of the occurrence of a Bankruptcy Rejection Date; provided, however, that the foregoing shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of this Lease or with respect to a Lessee Bankruptcy.

(5) The foregoing shall not limit the rights granted hereunder to the Leasehold Mortgagee, so long as the Leasehold Mortgagee fulfills all Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(6) In the event that title to the Lessee's interest in the Mortgaged Premises is transferred to the Leasehold Mortgagee, so that

the Leasehold Mortgagee becomes the lessee under this Lease, then, unless in the meantime an Approved Successor Lessee shall have become the Lessee hereunder, this Lease shall automatically terminate at 11:59 p.m. on the thirtieth (30th) day following such transfer of title.

(o) ***Port Authority Right to Pay Off Bonds.***

(1) At any time, upon the Port Authority's request, the Leasehold Mortgagee shall give the Port Authority a notice which shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the date of such notice.

(2) The Port Authority shall have the right, after the occurrence of a Leasehold Mortgage Default (as defined in the Leasehold Mortgage) to tender to the Leasehold Mortgagee the total amount specified in such notice, including per diem interest through the date of such tender, and upon such tender the Leasehold Mortgage and the Foreclosure Rights, if any, shall terminate and be of no further force and effect. Promptly following the Port Authority's tender of such amount specified in such notice, the Lessee shall cause to be executed, and the Leasehold Mortgagee shall execute a satisfaction of the Leasehold Mortgage, cause the same to be filed in the Office of the City Register for Queens County and take all other and additional actions that are required in order to discharge the lien of the Leasehold Mortgage as of record.

(p) ***Successor Lessee.***

(1) No entity, party or Person other than an Approved Successor Lessee shall be entitled to become the owner of or acquire any interest in this Lease pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the Leasehold Mortgagee of its Foreclosure Rights or otherwise. Without limiting the foregoing, it is understood and acknowledged

that the transfer of this Lease to an entity, party or Person other than a Scheduled Aircraft Operator or a consortium of Scheduled Aircraft Operators in violation of the foregoing prohibition may cause irreparable and substantial harm, injury and liability to the Port Authority. Any entity, person or party proposed to become an Approved Successor Lessee (the "**Proposed Successor Lessee**") shall become an Approved Successor Lessee only if (x) the Leasehold Mortgagee duly exercises its Foreclosure Rights by submitting to the Port Authority its Foreclosure Election Notice stating its election to exercise its Foreclosure Rights under this Lease and including therewith the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments, and fulfills all the other Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, (y) said Proposed Successor Lessee meets all of the requirements for an Approved Successor Lessee and (z) said Proposed Successor Lessee receives the approval of the Port Authority in advance.

(2) In determining whether to approve or disapprove a Proposed Successor Lessee, the Port Authority shall consider all relevant factors, including without limitation the following factors, but it is agreed that the Port Authority shall analyze all such factors in a reasonable manner:

(i) whether the Proposed Successor Lessee will be able to fulfill all of the Lessee's obligations under this Lease with respect to the Mortgaged Premises throughout the balance of the term of the letting hereunder or such lesser term as it proposes to lease;

(ii) whether the financial standing of the Proposed Successor Lessee as of the effective date of its acquisition of the leasehold hereunder is sufficient, in the opinion of the Port Authority, to assure

the Port Authority that the Proposed Successor Lessee is able to fulfill all of the Lessee's obligations with respect to the Mortgaged Premises under this Lease throughout the balance of the term of the letting of the Mortgaged Premises hereunder or such lesser term as it proposes to lease which shall constitute the term of the proposed reletting to the Proposed Successor Lessee; including without limitation the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory and shall also submit such financial statements and other financial information as the Port Authority may require;

(iii) whether the Proposed Successor Lessee and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest has as of the date of the proposed assignment/assumption a good reputation for integrity and financial responsibility and has not been convicted of or under current indictment for any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff);

(iv) whether the Port Authority has had any "Unfavorable Experience" with the Proposed Successor Lessee, or any of its officers, directors, or partners, or any person, firm or corporation (such officers, directors, partners, person, firm and corporation, being herein in this item (iv) individually and collectively referred to as a **"Related Party"**) having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed

Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest; **"Unfavorable Experience"** as used herein shall mean any one or more of the following: (A) a material default by said Proposed Successor Lessee or any such Related Party of any obligation (monetary or non-monetary) to the Port Authority; (B) any assertion made by said Proposed Successor Lessee or any such Related Party against the Port Authority in any frivolous, false, malicious, or unsupportable claim, demand or allegation or suit or proceeding; (C) any act or omission of said Proposed Successor Lessee or any such Related Party causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority; (D) any failure or refusal of said Proposed Successor Lessee or any such Related Party to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, Environmental Requirements, at any Port Authority facility; (E) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by said Proposed Successor Lessee or any such Related Party; or (F) any breach by said Proposed Successor Lessee or any such Related Party of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority; and

(v) whether the Proposed Successor Lessee or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Proposed Successor Lessee is a corporation or partnership, by loans

thereto, stock ownership therein or any other form of financial interest is in conflict of interest, as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed acquisition.

Without limiting any other term or provision hereof, the Proposed Successor Lessee must also agree in the Lease Assignment/Assumption and Consent Agreement, to pay all of the rentals, fees, charges and other amounts payable under and in accordance with the Lease, including without limitation, any unpaid amount of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments. The Proposed Successor Lessee shall use and occupy the Mortgaged Premises for the purposes set forth in Section 5 hereof and shall meet all of the requirements set forth in this Section for a Proposed Successor Lessee, including without limitation being a Scheduled Aircraft Operator or a consortium of such Scheduled Aircraft Operators and shall agree (and, if a consortium, shall agree jointly and severally) in the Lease Assignment/Assumption and Consent Agreement to use and occupy the Mortgaged Premises in accordance with all the terms and conditions of this Lease.

(3) Notwithstanding the foregoing, no acquisition, assignment, sale or transfer pursuant to this paragraph (p) shall be effective, and no Proposed Successor Lessee shall become an Approved Successor Lessee, or have any right to possess, use or occupy the Mortgaged Premises unless and until an assignment and assumption agreement, in the event of an assignment in lieu of foreclosure, or an assumption agreement, in the event of a foreclosure, whereby the Proposed Successor Lessee assumes the obligations of the Lessee as if it were the original tenant hereunder, has been executed by the Port Authority, the Lessee (except in the case of an assumption agreement,

in the event of a foreclosure, in which case the signature of the Lessee shall not be required and the Lessee hereby expressly so agrees), the Proposed Successor Lessee and the Leasehold Mortgagee (said fully executed agreement in either case, the **"Lease Assignment/Assumption and Consent Agreement"**). The effective date of the Lease Assignment/Assumption and Consent Agreement (the **"Lease Assignment/Assumption Commencement Date"**), shall be a date prior to or simultaneous with the expiration of the Foreclosure Period, provided, however, that where the Leasehold Mortgagee has commenced proceedings to foreclose the Leasehold Mortgage, such date shall be deemed to have occurred only upon the Leasehold Mortgagee's successful completion of foreclosure and eviction proceedings prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 1,095 days, except as the running of the 1,095-day Foreclosure Period may be tolled as provided in paragraph (p)(4) of this Section or suspended as provided in the last sentence of the definition of the Foreclosure Period or paragraph (n)(3)(ii) of this Section); provided, further, however, that in the event the Leasehold Mortgagee does not in fact successfully complete the foreclosure of the Leasehold Mortgage and eviction proceedings prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 1,095 days, except as the running of the 1,095-day Foreclosure Period may be tolled as provided paragraph (p)(4) of this Section or suspended as provided in the last sentence of the definition of the Foreclosure Period or paragraph (n)(3)(ii) of this Section) the Lease Assignment/Assumption and Consent Agreement shall be null and void and of no force or effect. The Lease Assignment/ Assumption Agreement shall be substantially in the form used by the Port Authority at the time of the foreclosure or assignment in lieu of foreclosure for the assignment and assumption or assumption, as the case shall be, of leases at the Airport and shall contain such other terms and conditions as the Port Authority may determine to be necessary or desirable to

effectuate such assignment and assumption or assumption.

(4) It is understood and agreed that after the Leasehold Mortgagee has obtained a Proposed Successor Lessee and has promptly submitted to the Port Authority all required and necessary information and materials (provided, however, that failure by the Leasehold Mortgagee to give such written notice promptly shall not be deemed to be a violation of the terms of this Section or the Consent Agreement and shall not be deemed to impair the Foreclosure Rights of the Leasehold Mortgagee except that there shall be no Approved Successor Lessee where the Port Authority is unable to make a determination resulting from such failure of the Leasehold Mortgagee; provided, further, however, that such failure by the Leasehold Mortgagee to promptly give such notice and information to the Port Authority shall also mean that there shall be no tolling of the Foreclosure Period pursuant to this paragraph (p)) to enable the Port Authority to determine whether it will approve such Proposed Successor Lessee as an Approved Successor Lessee (which determination includes the signing by the Port Authority, the Lessee (in the case of an assignment in lieu of foreclosure) and the Approved Successor Lessee of the Lease Assignment/Assumption and Consent Agreement), the running of the Foreclosure Period shall be deemed tolled pending such determination by the Port Authority, such determination to be made promptly and reasonably by the Port Authority, provided, however, that no such tolling shall be effective unless the Leasehold Mortgagee promptly continues to submit such additional information and material as may be reasonably required by the Port Authority for its making of its determination. Such tolling shall not toll the Leasehold Mortgagee's Foreclosure Period Obligations.

(q) ***No Merger.***

No sale, transfer or assignment by the Lessee of its interest in this Lease to the Port Authority shall create a merger between the

estates of the Port Authority and the Lessee unless the Port Authority, the Lessee and the Leasehold Mortgagee shall specifically consent to such merger in writing, nor shall any such sale, transfer or assignment be deemed to affect or diminish the liabilities of the Lessee named in this Lease, whether for survived damages or otherwise.

(r) ***Inclusion in Consent Agreement.***

Each and every provision stated herein to be or become a right or an obligation of the Trustee or of the Leasehold Mortgagee shall be included in the Consent Agreement (by reference to this Lease or otherwise) as among the rights and obligations of the Trustee, and in the Leasehold Mortgage as among the rights and obligations of the Leasehold Mortgagee under the Leasehold Mortgage, and each and every provision stated herein to be or become an obligation of the Approved Successor Lessee shall be deemed included in the obligations assumed by the Approved Successor Lessee by its acquisition of the Mortgaged Premises, the Lease with respect thereto and by its execution of the Lease Assignment/Assumption and Consent Agreement.

(s) ***No Waiver, etc.***

(1) If the Leasehold Mortgagee shall obtain an Approved Successor Lessee, such Approved Successor Lessee shall acquire the Lease with respect to the Mortgaged Premises with no further right to mortgage or pledge the leasehold, and shall have no right to assign the Lease with respect to the Mortgaged Premises other than the limited right of assignment provided under Section 19 hereof.

(2) Nothing herein shall or shall be deemed to release or relieve the Lessee from any terms, provisions, covenants or conditions to be kept, performed or observed by the Lessee under this Lease or under the Consent Agreement.

(3) Nothing herein shall constitute or be deemed to constitute any waiver by the Port Authority of any of its rights or remedies to evict the Lessee in the event the Port Authority

terminates this Lease pursuant to Section 20 of this Lease, entitled "Termination by the Port Authority", or otherwise and the Leasehold Mortgagee fails to properly exercise its Foreclosure Rights in accordance with the provisions hereof.

(4) Except for the rights granted herein to the Leasehold Mortgagee, nothing herein shall constitute any waiver, impairment or limitation of any of claims, rights or remedies of the Port Authority based upon any event of default or based on any rejection of this Lease resulting from a Lessee Bankruptcy or based on any Lessee Bankruptcy.

(5) This Section and the right of the Lessee to grant the Leasehold Mortgage and the right of the Trustee to take the Leasehold Mortgage are and shall be rights granted and effective only as to the Lessee hereunder and are exercisable one time only as above provided, and shall not extend, obtain or apply to any Approved Successor Lessee or other entity, party or Person who may become a tenant or lessee of the Premises or any portion thereof with no further right to grant a Leasehold Mortgage. Any Scheduled Aircraft Operator, including without limitation any Section 19 Assignee, to which this Lease is assigned with the consent of the Port Authority shall take this Lease subject to this Section 92 and the prior exercise by the Lessee of said one time right to grant a Leasehold Mortgage and shall not have any further right to grant a Leasehold Mortgage.

(6) Neither this Section nor anything contained herein nor any action taken or not taken hereunder shall impair, restrict or limit the rights of the Port Authority under Section 46 hereof.

(t) ***Leasehold Mortgagee's Right to Dispute.***

With respect to all obligations of the Lessee to be fulfilled by the Leasehold Mortgagee as a condition to the commencement or continuation of the Foreclosure Rights or the Foreclosure Period, including without limitation

with respect to the amounts constituting the Leasehold Mortgagee's Foreclosure Period Commencement Payments and the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, the Leasehold Mortgagee shall be entitled to the same rights of dispute as the Lessee would have under the Lease with respect to the items in dispute.

14. Addition of New Sections 95 through 97

The Section of this Lease entitled "Entire Agreement", as amended by Supplemental Lease Agreement No. 1, shall be renumbered as "Section 100", the reference in the first sentence thereof to "Section 95" shall be amended to read "Section 100" and the following new Sections 95 through 97 are hereby added to the Lease to read as follows:

"Section 95. Termination of Parcel M by the Port Authority

(a) Without limiting any other rights of termination of the Port Authority under the Lease, from and after the earlier to occur of January 1, 2008 and the Redevelopment Work Completion Date, in addition to all of the rights of termination of the Port Authority under this Lease, the Port Authority shall have the right to terminate this Agreement and the letting thereunder with respect to that portion of the Premises shown in diagonal hatching on Exhibit 95.1 attached hereto and hereby made a part hereof (which portion of the Premises is herein called **"Parcel M"**), without cause, at any time on ninety (90) days' prior notice to the Lessee (the **"Parcel M Termination Notice"**), provided, however, this right of termination shall be suspended commencing on the date of the Lessee's notice to the Port Authority of the Lessee's election to perform the Expanded Terminal Work, and submittal of a tenant alteration application or applications and plans and specifications covering the Expanded Terminal Work as defined in Section 2B of this Lease as amended by Supplement No. 2 to this Lease and for so long thereafter as the Lessee diligently and in good faith commences and continues the Expanded Terminal Work,

provided, further, however, the Port Authority shall have no right to terminate this Agreement and the letting hereunder with respect to Parcel M from and after the date that the Expanded Terminal Work has been completed in accordance with the tenant alteration applications and plans and specifications therefor as approved by the Port Authority in accordance with Section 2B of this Lease.

(b) Nothing contained in this Section shall be or be deemed to be the Port Authority's consent to the Lessee's construction of additional Gates on the Premises or have limited or otherwise affected the rights and remedies of the Port Authority under this Lease or otherwise including without limitation Section 33 hereof entitled "Other Construction by the Lessee" nor shall have imposed any obligation whatsoever on the Port Authority, including without limitation, any obligation to consider or consent to the construction of additional Gates on the Premises, including without limitation the Expanded Terminal Work.

(c) Effective as of the date and time stated in the Parcel M Termination Notice which date and time (the **"Parcel M Surrender Date"**) shall be at least ninety (90) days after the date of the Parcel M Termination Notice, the Lessee has granted, bargained, sold, surrendered and yielded up and does by these presents grant, bargain, sell, surrender and yield up unto the Port Authority, its successors and assigns, forever, its rights in Parcel M and the term of years with respect thereto under this Lease yet to come and has given, granted, surrendered and by these presents does give, grant and surrender to the Port Authority, its successors and assigns, all the rights, rights of renewal, licenses, privileges and options of the Lessee granted by this Lease with respect to Parcel M, all to the intent and purpose that the said term under this Lease and the said rights of renewal, licenses, privileges and options may be wholly merged, extinguished and determined on the Parcel M Surrender Date, with the same force and effect as if the said term were in and by the provisions

of this Lease originally fixed to expire on the Parcel M Surrender Date, but this Lease and the letting thereunder shall continue in full force and effect as to the remainder of the Premises under this Lease and in accordance with all the terms and provisions thereof.

TO HAVE AND TO HOLD the same unto the Port Authority, its successors and assigns forever.

(d) The Lessee hereby covenants on behalf of itself, its successors and assigns that (x) as of the Parcel M Surrender Date, the Lessee has not done or suffered and will not do or suffer anything, other than the Leasehold Mortgage, whereby Parcel M or the Lessee's leasehold therein has been or shall be encumbered in any way whatsoever; (y) subject to the Leasehold Mortgage, the Lessee is and will remain until the Parcel M Surrender Date the sole and absolute owner of the leasehold estate in Parcel M and of the rights, rights of renewal, licenses, privileges and options granted by this Lease with respect thereto and that the same are and will remain until the Parcel M Surrender Date free and clear of all liens and encumbrances of whatsoever nature; and (z) the Lessee has full right and power to make this Agreement.

(e) All promises, covenants, agreements and obligations of the Lessee with respect to Parcel M which under the provisions thereof would have matured upon the date originally fixed in this Lease for the expiration of the term thereof, or upon the termination of this Lease prior to the said date, or within a stated period after expiration or termination shall, notwithstanding such provisions, mature upon the Parcel M Surrender Date and shall survive the delivery of the Parcel M Termination Notice by the Port Authority to the Lessee.

(f) The Lessee has released and discharged and does by these presents release and discharge the Port Authority from any and all obligations on the part of the Port Authority to be performed under this Lease with respect to Parcel M. The Port Authority does by these presents release and

discharge the Lessee from any and all obligations on the part of the Lessee to be performed under this Lease with respect to Parcel M for that portion of the term subsequent to the Parcel M Surrender Date; it being understood that nothing herein contained shall release, relieve or discharge the Lessee from any liability for rentals or for other charges that may be due or become due to the Port Authority under this Lease for any period or periods prior to the Parcel M Surrender Date, or for breach of any other obligation on the Lessee's part to be performed under this Lease for or during such period or periods or maturing pursuant to the foregoing paragraph, nor shall anything herein be deemed to release the Lessee from any liability for rentals or other charges that may be due or become due to the Port Authority under this Lease for any other portion of the Premises or for breach of any other obligation on the Lessee's part to be performed under the Lease.

(g) The Lessee hereby agrees to terminate its occupancy of Parcel M and to deliver actual, physical possession of Parcel M to the Port Authority, on or before the Parcel M Surrender Date, in the condition required by this Lease upon surrender. The Lessee further agrees that it shall remove all the Lessee's Personal Property from Parcel M prior to the Parcel M Surrender Date, and all the terms and conditions of Section 29 of this Lease with respect to termination of the letting shall apply to any of the Lessee's Personal Property not so removed.

(h) The Lessee hereby acknowledges that each and every term, provision and condition of this Lease shall continue to apply to the premises remaining after the termination of the Parcel M.

(i) From and after the day immediately following the Parcel M Surrender Date, the Lessee shall be entitled to an abatement of the Ground Rental in accordance with and pursuant to this Lease and the Additional Land Rental shall terminate as provided for in Section 4 hereof.

"Section 96. Continuing Rights and Obligations with Respect to Parcel M

In addition to all other terms or provisions of this Agreement, and without limiting any of the same and without limiting, impairing or diminishing any of the obligations, duties and liabilities of the Lessee under this Agreement, it is expressly understood and agreed that:

(a) ***Work to be Completed by Lessee after Surrender.***

After the Parcel M Surrender Date, the Port Authority shall give notice to the Lessee identifying the new tenant of Parcel M (the "**Parcel M Tenant**") and detailing the basic footprint of such new tenant's planned construction on Parcel M (the "**Parcel M Construction Notice**"). The Lessee shall (x) promptly provide access to the Parcel M Tenant in accordance with the following and (y) promptly commence, and within 24 months thereafter complete, the following work at its sole cost and expense, subject to the further terms and conditions of a tenant alteration application (TAA) which the Lessee, in accordance with Section 33 hereof, shall submit to the Port Authority for its approval.

(1) In the event the Parcel M Construction Notice states that a stand-alone terminal building will be constructed on Parcel M, the Lessee shall provide the Parcel M Tenant access to the Premises for the purpose of performing the work necessary or appropriate to transfer and rededicate aviation fuel lines 403.1, 403.2 and 403.3 (as shown on Exhibit 2B.4) to serve Parcel M, and the Lessee shall cooperate in such transfer and rededication. The Lessee shall also perform the work necessary or appropriate to activate fuel line 408.3 (shown on Exhibit 2B.4), including the pumps, from the Satellite Fuel Farm at the Airport to the isolation valve vault (IVV-C6) located on the Premises.

(2) (i) In the event the Parcel M Construction Notice states that the terminal

building to be constructed on Parcel M will be an enlargement of the Lessee's Main Terminal (the "**Parcel M Enlarged Terminal**"), the Parcel M Tenant may agree with the Lessee to have the Parcel M Enlarged Terminal jointly served by the four functioning fuel lines located at the Premises as of the Restructuring Effective Date (403.1, 403.2, 408.1 and 408.2).

(ii) If, however, the Parcel M Tenant does not agree to the foregoing arrangement and prefers to have a separate fuel supply for its portion of the Parcel M Enlarged Terminal, the Lessee shall provide the Parcel M Tenant access to the Premises for the purpose of performing the work necessary or appropriate to transfer and rededicate aviation fuel lines 403.1, 403.2 and 403.3 (as shown on Exhibit 2B.4) to serve Parcel M, and the Lessee shall cooperate in such transfer and rededication. The Lessee shall also perform the work necessary or appropriate to activate fuel line 408.3, including the pumps, from the Satellite Fuel Farm at the Airport to the isolation valve vault (IVV-C6) located on the Premises.

(3) In the event the Parcel M Construction Notice states that the terminal building to be constructed on Parcel M will be the Parcel M Enlarged Terminal, the Lessee shall perform all work necessary or appropriate for the relocation of the fire hydrant line designated as "fire hydrant line E/S" serving the Main Terminal so that the same shall not be situated underneath the structure of the Main Terminal, the Parcel M Enlarged Terminal or any other building on the Premises or on Parcel M.

(4) In the event the Parcel M Construction Notice states that the terminal building to be constructed on Parcel M will be the Parcel M Enlarged Terminal, the Lessee shall perform all work necessary or appropriate for the relocation of the sanitary line and lift station designated as "E/S" serving the Main Terminal to and through such areas on the Premises so that the same shall not be situated underneath the structure of the Main Terminal, the Parcel M

Enlarged Terminal or any other building on the Premises or on Parcel M.

(5) The Lessee shall perform all work necessary or appropriate for the paving and grading of the aircraft taxiway areas shown in cross hatching (Area-1) on Exhibit 96.1.

(6) The Lessee shall perform all work necessary or appropriate for the relocation of the PPS operation from Parcel M.

(b) ***Lessee's Failure to Complete on Time.***

In the event of the Lessee's failure to complete the foregoing work within the time provided in the foregoing paragraph (a) of this Section, such work may be performed, at the Lessee's expense, by the Port Authority or any new tenant of Parcel M.

(c) ***Mutual Easements.***

From and after the Parcel M Surrender Date during the term of the Lease:

(1) The strip of land lying along and within the easterly boundary line of the Premises (which strip is shown in stipple/diagonal hatching [Area-2] on Exhibit 96.1), together with the corresponding contiguous strip of land lying along and within the westerly boundary of Parcel M and immediately abutting on the easterly side of the Premises (which strip is shown in cross hatching/diagonal triangular hatching [Area-1, Area-3] on Exhibit 96.1) shall be subject to a joint and mutual easement for a taxiway to be used jointly by the Lessee and the tenants, occupants and permittees of Parcel M or by any successors in interest of the Lessee or of said persons or by sublessees or other occupants or users who, pursuant to Port Authority permission, may occupy or use the Premises herein or Parcel M, and such rights of easement for such taxiway purposes shall continue during the effective periods of the respective agreements covering or which may cover the same.

(2) The roadway areas lying along and within the southerly boundary of the Premises and shown in stipple/cross hatching (Area-4) on

Exhibit 96.1 shall be subject to a non-exclusive easement right of way for purposes of vehicular roadway ingress and egress to Parcel M in favor of the lessee(s), tenant(s), occupant(s) and user(s) (and their invitees), now or in the future leasing, renting, occupying or using any of the areas or buildings on Parcel M.

(3) The roadway areas lying along and within the southerly boundary of Parcel M and shown in star/diagonal hatching (Area-5) on Exhibit 96.1 shall be subject to a non-exclusive easement right of way for purposes of vehicular roadway ingress and egress to the Premises in favor of the Lessee (and its invitees), now or in the future leasing, renting, occupying or using any of the areas or buildings on Parcel M.

(4) The Premises shall be subject to an easement in favor of the Port Authority, and the lessee(s), tenant(s), occupant(s) and user(s) of Parcel M (and their contractors and other invitees) for the purposes of the installation through the Premises of a fire hydrant system, fuel lines and sanitary lift stations to serve Parcel M (including ingress to and egress from the Premises for such purposes and for the maintenance and repair of the same), provided that no such activity shall interfere with the Lessee's operations on the Premises.

(5) In the event that a stand-alone terminal is to be constructed on Parcel M, Parcel M shall be subject to an easement of ingress and egress in favor of the Lessee (and its contractors and other invitees) for the purposes of accessing any fuel lines, the fire hydrant system or sanitary lines/lift stations serving the Premises in order to maintain and repair the same, provided that no such activity shall interfere with the Parcel M Tenant's operations on Parcel M.

(6) The portion of the AirTrain pedestrian connector shown in rectangular hatching (Detail 2) on Exhibit 96.1 shall be subject to an easement of ingress and egress in favor of the Parcel M Tenant and its invitees for the purpose of accessing the AirTrain station.

(7) The areas shown in diagonal hatching/honeycomb (Detail 2) on Exhibit 96.1 shall be subject to an easement of access in favor of the Lessee and its contractors for the purposes of inspection, maintenance and repair of the AirTrain pedestrian connector.

(d) ***Environmental Obligations.***

(1) Notwithstanding the Lessee's surrender of Parcel M, and notwithstanding anything to the contrary herein or elsewhere in this Agreement, the Lessee shall continue to be responsible and liable for compliance with all Environmental Requirements and remediation of all Environmental Damages with respect to Parcel M in accordance with the terms and provisions of this Agreement, including but not limited to Sections 2B, 6, 13, 57, 58 and 59, and for any and all costs or expenses that may be incurred by the Port Authority in connection therewith, but only to the extent arising out of the condition of Parcel M as of the date of such surrender. The foregoing shall not limit, alter or impair any of the indemnities from the Lessee to the Port Authority under this Agreement or otherwise or any other term or provision of this Agreement, or limit, alter or impair any other right or remedy of the Port Authority, whether in law, equity or otherwise.

(2) In order to limit its environmental liability with respect to Parcel M in accordance with the foregoing, the Lessee, at its own cost and expense, shall cause to performed, by properly qualified environmental engineers, a baseline survey of the condition of Parcel M as of the surrender date.

(3) Notwithstanding the Lessee's surrender of Parcel M, the Lessee shall continue to be responsible and liable for any portion of the ACO Work that relates to Parcel M.

(e) ***No Port Authority Reimbursement.***

The Lessee acknowledges and agrees that (x) the Port Authority has made Parcel M available to the Lessee as a part of the Premises in connection with the Lessee's option hereunder

to perform the Expanded Terminal Work, (y) the Lessee shall incur certain costs and make certain investments in consideration for such option and in anticipation of exercising such option, and (z) if the Lessee does not elect to exercise such option and the Port Authority accordingly terminates the letting hereunder with respect to Parcel M pursuant to Section 95 hereof, the Port Authority shall have no obligation to reimburse the Lessee for any costs incurred or investments made by the Lessee in connection with Parcel M.

"Section 97. Security

(a) ***Definitions.***

As used in this Section 97 the following terms shall have the following meanings:

(1) **"Effective Period"** shall mean the period commencing on the Restructuring Effective Date and expiring on the last day of the sixth full calendar month occurring after to occur the expiration or earlier termination or revocation of this Lease.

(3) **"Letter of Credit"** shall mean in the singular each of and **"Letter of Credits"** shall mean in the plural all of the letters of credit required to be delivered by the Lessee to the Port Authority pursuant to the provisions of this Section and which meet all the requirements set forth in paragraph (c) below.

(4) **"Obligations"** shall mean all of the provisions, terms and conditions of this Agreement on the part of the Lessee to be fulfilled, kept, performed or observed and (ii) the payment of all rentals, fees and other amounts, charges and obligations now or in the future to become due and owing to the Port Authority by the Lessee hereunder, and (iii) the performance of all other present and future obligations of the Lessee to the Port Authority covered by this Agreement.

(5) **"Security Amount"** shall mean Two Million Eight Hundred Thousand Dollars and No Cents ($2,800,000.00).

(b) ***Delivery of Letter of Credit.***

The Lessee hereby agrees that on or before the Restructuring Effective Date the Lessee shall cause to be delivered to the Port Authority a Letter of Credit in the Security Amount meeting all the requirements set forth in paragraph (c) below as security for the full, faithful and prompt performance of and compliance with, on the part of the Lessee of all of the Obligations.

(c) Each Letter of Credit shall be clean, irrevocable and issued to and in favor of the Port Authority by a banking institution acceptable to the Port Authority and having its main office in the Port of New York District. The form and terms of each Letter of Credit, as well as the institution issuing it, shall be subject to the prior and continuing approval of the Port Authority. Each Letter of Credit shall provide that it shall continue until the last day of the Effective Period. Such continuance may be by provision for automatic renewal or by delivery to the Port Authority of a substitute letter of credit satisfactory to the Port Authority and meeting all the requirements set forth in this paragraph (c) in an amount so that at all times during the Effective Period the Port Authority shall have a Letter of Credit or Letters of Credit in the Security Amount. If requested by the Port Authority, any Letter of Credit delivered pursuant to this Section shall be accompanied by a letter expressing the opinion of counsel for the banking institution issuing the Letter of Credit that the issuance of said Letter of Credit is an appropriate and valid exercise by the banking institution of the corporate power conferred upon it by law.

(d) Upon notice of cancellation of a Letter of Credit or upon notice that a Letter of Credit will not be extended the Lessee agrees that unless, by a date thirty (30) days prior to the effective date of such cancellation or

expiration, such Letter of Credit is replaced by another letter of credit satisfactory to the Port Authority and meeting all the requirements of paragraph (c) above in an amount so that at all times during the Effective Period the Port Authority shall have a Letter of Credit or Letters of Credit in the Security Amount, the Port Authority may draw down the full amount thereof and thereafter the Port Authority will hold the same as security under this Agreement.

(e) In addition to any and all other remedies available to it, the Port Authority shall have the right, at its option at any time and from time to time, with or without notice, to draw upon each Letter of Credit or any part thereof in whole or partial satisfaction of any of its claims or demands against the Lessee. There shall be no obligation on the Port Authority to exercise such right and neither the existence of such right nor the holding of a Letter of Credit or Letters of Credit shall cure any default or breach of the Obligations.

(f) If at any time any bank shall fail to make any payment to the Port Authority in accordance with any Letter of Credit issued by any such bank, the Lessee shall cause to be delivered to the Port Authority on demand another letter of credit satisfactory to the Port Authority and meeting all the requirements set forth in paragraph (c) above in an amount so that at all times during the Effective Period the Port Authority shall have a Letter of Credit or Letters of Credit in the Security Amount.

(g) If at any time and from time to time during the Effective Period a payment is made to the Port Authority under any Letter of Credit, the Lessee within ten (10) days thereafter shall bring the Letter of Credit back up to the Security Amount or shall cause to be delivered to the Port Authority an additional letter of credit satisfactory to the Port Authority and meeting all the requirements set forth in paragraph (c) above, in such an amount so that at all times during the Effective Period the Port Authority

shall have a Letter of Credit or Letters of Credit in the Security Amount.

(h) No action by the Port Authority pursuant to the terms of any Letter of Credit, or receipt by the Port Authority of funds from any bank issuing any Letter of Credit, shall be or be deemed to be a waiver of any breach or default by the Lessee of the Obligations and all rights and remedies under the Agreements, or otherwise consequent upon such breach or default shall not be affected by the existence of or recourse to any such Letter of Credit.

(i) After the expiration of the Effective Period, and upon the condition that the Lessee shall then be in no wise in default of any of the Obligations, and upon written request therefor by the Lessee, the Port Authority will return to the Lessee the Letter of Credit or Letters of Credit which have been caused to be delivered to the Port Authority by the Lessee hereunder and are in the possession of the Port Authority less the amount by partial or full drawings of any and all unpaid claims and demands (including estimated damages) of the Port Authority by reason of any default or breach by the Lessee of the Obligations.

(j) [Intentionally omitted]

(k) No failure by the Port Authority to insist upon the strict performance of any of the Obligations or any agreement, term, covenant, requirement or condition thereof or to exercise any right or remedy consequent upon a breach or default of any of the foregoing, and no extension, supplement or amendment of any of the Obligations during or after a breach thereof, unless expressly stated to be a waiver, and no acceptance by the Port Authority of rentals, fees, charges or other payments in whole or in part after or during the continuance of any such breach or default, shall constitute a waiver of any such breach or default of such Obligations or such agreement, term, covenant, requirement, obligation or condition. No agreement, term, covenant, requirement, obligation or condition of the Obligations to be performed or complied with

by the Lessee and no breach or default thereof, shall be waived, altered or modified except by a written instrument executed by the Port Authority. No waiver by the Port Authority of any default or breach on the part of the Lessee in performance of any of the Obligations or any agreement, term, covenant, requirement, obligation or condition thereof shall affect or alter any Obligation, but each and every agreement, term, covenant, requirement, obligation and condition thereof shall continue in full force and effect with respect to any other then existing or subsequent breach or default thereof.

(l) The Lessee hereby agrees that a breach or failure to perform or comply with any of the terms and conditions of this Agreement, including without limitation failure to provide a Letter of Credit or Letters of Credit in accordance with the terms and provisions of this Agreement at any time during the Effective Period valid and available to the Port Authority or any failure of any banking institution issuing a Letter of Credit to make one or more payments as provided in such Letter of Credit, shall constitute a material breach of each and every Obligation, thereby entitling the Port Authority to immediately exercise any and all rights available to it as fully as if such breach, failure or non-compliance were a breach of the Obligations, including without limitation, the right to terminate this Agreement for cause.

(m) The Lessee agrees that it will not assign or encumber any Letter of Credit and any such assignment or encumbrance shall be void as to the Port Authority.

(n) (1) In the event that the rentals payable by the Lessee under this Lease for two consecutive months shall exceed the existing Security Amount (the amount that such rentals shall exceed the existing Security Amount being herein called the "**Increased Bi-Monthly Rental**"), the Security Amount may be increased by the Port Authority upon thirty (30) days' notice to the Lessee in an amount equal to the Increased Bi-

Monthly Rental and the Lessee shall deliver to the Port Authority before the expiration of such thirty- (30-) day period a new Letter of Credit in the amount of the Increased Bi-Monthly Rental or an amendment to a Letter of Credit then being held by the Port Authority providing for the increase in the Letter of Credit to the new Security Amount set forth in such notice.

(2) In the event that the rentals payable by the Lessee under this Lease for two consecutive months shall be less than the existing Security Amount (the amount that the existing Security Amount shall exceed the two months consecutive rentals being herein called the "**Decreased Bi-Monthly Rental**"), the Security Amount may be decreased by the Lessee upon ten (10) days' notice to the Port Authority in an amount equal to the Decreased Bi-Weekly Rental, provided, however, in no event shall the Security Amount be so decreased or such notice be effective if (x) the Lessee shall have been in default at any time in the twelve-month period immediately preceding the date of the receipt of such notice by the Port Authority in the performance or observance of any term, provision, covenant, condition or agreement of this Agreement and (y) the Port Authority has not at any time during such twelve month period paid any sum or sums or incurred any obligations, expense or cost by reason of the failure, neglect or refusal of the Lessee to perform or fulfill any one or more of such terms, provisions, covenants, conditions and agreements. Such decrease in the Security Amount shall be effectuated by the delivery by the Lessee to the Port Authority of a substitute Letter of Credit in the reduced Security Amount. Upon the Lessee's delivery of such new Letter of Credit to the Port Authority in the new Security Amount meeting all the requirements of this Section 97, and provided that none of the events set forth in clauses (x) and (y) above shall be the case, the Port Authority shall return to the Lessee the Letter of Credit(s) then being held by the Port Authority for the old Security Amount.

15. Effective as of January 1, 2004: Amendments to various sections of the Lease relating to or resulting from new JFK Flight Fees Agreement

Effective as of January 1, 2004, the following amendments shall be made to the Lease in recognition that the JFK Flight Fees Agreement, as hereinafter defined, became effective and replaced the General Airport Agreement (except as to certain provisions thereof covering the aviation fuel system at the Airport) as of January 1, 2004.

(a) Section 2B of the Lease shall be deemed to be amended as follows:

(i) The phrase, "and as may be defined in the New Airport Fueling Agreements" shall be deemed inserted after the term "General Airport Agreement" and before the parenthesis appearing in the sixth (6th) line of paragraph (a)(2)(vi) thereof and in the sixth (6th) line of paragraph (a)(3)(iv) thereof, and in the third (3rd) line of paragraph (q)(1)(vi) thereof, and in the last line of paragraph (q)(1)(xii) thereof, and in the tenth (10th) and twelfth (12th) lines of paragraph (q)(1)(xiv) thereof.

(ii) The phrase, ", and shall also include the New Airport Fueling Agreements" shall be deemed inserted immediately after the word "operative" and before the period appearing in the last line of paragraph (q)(1)(iv) thereof.

(iii) The phrase, "or New Airport Fueling Agreements" shall be deemed inserted immediately after the word "Leases" and before the word "and" appearing in the third (3rd) to the last line of paragraph (q)(1)(xiv) thereof and after the word "Leases" and before the period appearing in the last line of paragraph (q)(1)(xix) thereof.

(iv) The word "Ogden" shall be deleted from the first line of paragraph (q)(1)(xix) thereof and the word "Allied" substituted in lieu thereof.

(v) The phrase, "and other Airport Fueling Agreements" shall be deemed inserted after the word "Agreement" and before the period appearing in the last line of paragraph (q)(2)(ii) thereof.

(vi) The phrase, "and, if as a party to any of the New Airport Fueling Agreements, if it becomes such a party" shall be deemed to have been inserted immediately

after the word "User" and before the first comma appearing in the second (2nd) line of paragraph (q)(2)(x) thereof.

(vii) The phrase, "other Airport Fueling Agreement" shall be deemed deleted from the fourth (4th) and fifth (5th) lines of paragraph (q)(2)(x) and the phrase, "of the other Airport Fueling Agreements" shall be deemed inserted in lieu thereof.

(viii) The phrase, "as the same may be replaced by New Airport Fueling Agreements" shall be deemed inserted immediately after the word "Agreement" and before the period appearing in both the last line of paragraph (q)(2)(xi)(aa) and in the last line of paragraph (q)(2)(xi)(bb) thereof.

(ix) The phrase, "or of the New Airport Fueling Agreements" shall be inserted immediately after the term "General Airport Agreement" in paragraph (q)(2)(xiii)(aa) thereof.

(x) The phrase, "and, if, there is in effect, New Airport Fueling Agreements" shall be inserted immediately after the term "General Airport Agreement" as it appears in the eight (8th), fourteenth (14th) and fifteenth (15th) lines of paragraph (q)(3) thereof.

(b) Paragraph (b) of Section 4 of the Lease, entitled "Use of Premises", shall be amended by deleting the phrase, "or Associated or Affiliated Companies" appearing in the fourth (4th) and (5th) lines thereof and by inserting the word "or" immediately after the comma and before the word "Accommodated" appearing the in the (4th) line thereof.

(c) Section 7 of the Lease, entitled "Rules and Regulations", shall be amended by deleted paragraph (c) thereof in its entirety and by redesignating paragraph (d) thereof as paragraph "(c)".

(d) Paragraph (k) of Section 9 of the Lease entitled "Prohibited Acts" shall be amended by deleting therefrom the term "General Airport Agreement" appearing in the second (2nd) and third (3rd) lines thereof and by substituting lieu thereof the term "Airport Fueling Agreements".

(e) Paragraphs (a), (b) and (c) of Section 42 of the Lease entitled "General Airport Agreement" shall be deemed deleted therefrom in their entirety and the following new unlettered paragraph shall be deemed to have been inserted in lieu thereof to read as follows:

"The parties hereto agree that in the event any provisions contained in the Lessee's JFK Flight Fees Agreement conflict with any one or more provisions of this Lease, the provisions of this Lease shall control with respect to all areas and subject matters covered by this Lease, provided, however, except only as to operations on the Public Aircraft Facilities at the Airport, to the extent that any of the provisions of this Lease conflict with the provisions of the Lessee's JFK Flight Fees Agreement concerning rights and obligations as to operations on the Public Aircraft Facilities at the Airport, the Lessee's JFK Flight Fees Agreement shall control with respect to rights and obligations as to operations on the Public Aircraft Facilities at the Airport."

(f) The unlettered paragraph constituting Section 43 of the Lease entitled "General Airport Agreement Expiration" shall be deemed deleted from the Lease in its entirety and the following new unlettered paragraph shall be deemed to have been inserted in lieu thereof to read as follows:

"It is recognized that the JFK Flight Fees Agreements and the principles and formula set forth therein for the calculation of flight fees, including the costs recovery accounting principles, have by agreement become the basis for determining flight fees payable by various Aircraft Operators at the Airport who are the actual signatories to JFK Flight Fees Agreements. In the event of the expiration and non-extension or non-renewal of the JFK Flight Fees Agreement, the same formula, accounting principles and costs recovery methodology now set forth in the JFK Flight Fees Agreements for the calculation of flight fees shall continue to be utilized for the calculation of flight fees at the Airport for the Lessee until such time as the JFK Flight Fees Agreements are formally replaced by a new agreement or agreements or by a new policy or policies. The Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to the formula, accounting principles and the costs recovery methodology for the calculation of flight fees

upon the expiration and non-extension or non-renewal of the JFK Flight Fees Agreements all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner."

(g) Section 44 of the Lease entitled "Associated and Affiliated Companies" shall be deleted from the Lease in its entirety.

(h) Section 49 of the Lease entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management" shall be deemed amended by inserting the phrase, "or the JFK Flight Fees Agreements, as applicable," immediately after the word "Agreement" and before the word "and" appearing in the fifth (5th) to the last line of paragraph (b) thereof and immediately after the word "Agreement" and before the period appearing at the end of paragraph (b) thereof.

(i) Section 62 of the Lease entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises" shall be deemed amended by inserting the phrase, "or the JFK Flight Fees Agreements, as applicable," immediately after the word "Agreement" and before the word "for" appearing in the fifth (5th) to the last line of paragraph (d) thereof and immediately after the word "Agreement" and before the period appearing at the end of paragraph (d) thereof.

(j) Section 78 of the Lease entitled "In-Flight Meals" shall be deemed to have been amended as follows:

(1) The first sentence of paragraph (a) thereof shall be deemed deleted therefrom and the following new sentence shall be deemed to have been substituted in lieu thereof to read as follows:

"(a) It is recognized that Section 8.04 of Title VIII of the General Airport Agreement has expired and therefore is of no further force or effect and that the following paragraphs (a)(1), (a)(2) and (a)(3) shall be in full force and effect and a part hereof from and after January 1, 2004."

(2) The phrase, "Section 8.04 of Title VIII of the General Airport Agreement" shall be deleted from the second (2nd) and third (3rd) lines of paragraph (b)(1)

thereof and the phrase, "this Section 78" shall be deemed inserted in lieu thereof.

(3) Subparagraph (b)(3) shall be deleted therefrom in its entirety.

(k) The following amendments shall be deemed to have been made to Section 91 of the Lease as of January 1, 2004:

(1) The definition of "Distribution Portion of the System" shall be amended to read as follows:

> "'Distribution Portion of the System' shall mean the Distribution Portion of the System as described in the Airport Fueling Agreements."

(2) The definition of "General Airport Agreement" shall be amended by inserting the following phrase after the term "Airport" and before the period appearing at the end thereof.

> ", as the same has been extended by the Standstill Agreement and the Second Standstill Agreement".

(3) The definition of "Public Aircraft Facilities" shall be deemed amended by deleting in its entirety the parenthetical "(except as provided in Section 12.12 of the General Airport Agreement)" and inserting in lieu thereof the following:

> "(except as provided in Section 14 of the JFK Flight Fees Agreement)".

(4) The definition of Runways shall be amended to read as follows:

> "'Runways' shall mean runways (including aerial approaches) at the Airport used for the purpose of the landing and taking-off of Aircraft.

(5) The definition of Taxiways shall be amended to read as follows:

> "'Taxiways' shall mean taxiways at the Airport for the purpose of the ground movement of Aircraft to, from and between the Runways, the Public Ramp and Apron Area, the Public Aircraft Parking and Storage Area and other portions of the Airport (not including, however, any taxilanes, the exclusive use of which is granted

to the Lessee or any other Person by lease, permit or otherwise)."

(6) The following new definitions shall be deemed added to Section 91 to read as follows:

"Aircraft" shall mean airplanes, helicopters and every other contrivance now or hereafter used for the navigation of or flight in air or space.

"JFK Flight Fees Agreement" shall mean the agreement designated therein as the JFK Flight Fees Agreement effective as of January 1, 2004 entered into between the Port Authority and the Lessee covering the payment of flight fees at the Airport and other matters covered therein

"New Airport Fueling Agreements" shall mean such of the separate agreement or agreements if and when entered into by the Port Authority and airlines operating at the Airport which would cover the operations of the Airport Fuel Storage and Distribution System in replacement of the aviation fuel provisions of the General Airport Agreement.

"Second Standstill Agreement" shall mean the certain agreement entered into between the Port Authority and the Lessee covering the extension of the General Airport Agreement through September 30, 2004, or through such later date as may thereafter be agreed upon by extension, restatement or modification of such agreement, with the extension of the fuel fee provisions of the General Airport Agreement extended through December 31, 2004, or through such later date as may thereafter be agreed upon by extension, restatement or modification of such agreement.

"Standstill Agreement" shall mean the certain agreement entered into between the Port Authority and the Lessee covering the extension of the General Airport Agreement through March 31, 2004.

"Standstill Agreements" shall mean collectively the Standstill Agreement and the Second Standstill Agreement.

(l) Subparagraph (ii) of paragraph (1) of Subdivision (II) of Exhibit 52.1 of the Lease shall be amended by

inserting the phrase, "or under the Lessee's JFK Flight Fees Agreement (with respect to flight fees)", immediately after the word "Agreement" and before the first comma appearing in the second line thereof; by deleting the phrase, "on or before the twentieth day of the following calendar month" appearing at the end thereof; and by inserting the phrase, "on or before the date required for payment in such agreements" immediately after the term "Port Authority" and before the semicolon appearing at the end thereof;

16. No Broker

Each party represents and warrants to the other that no broker has been concerned in the negotiation of this Second Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. Each party shall indemnify and save harmless the other party of and from any and all claims for commissions or brokerage made by any and all Persons, firms or corporations whatsoever for services provided to or on behalf of the indemnifying party in connection with the negotiation and execution of this Second Supplemental Agreement.

17. Non-liability of Individuals

No Commissioner, director, officer, agent or employee of any party to this Second Supplemental Agreement shall be charged personally or held contractually liable by or to any other party under any term or provision of this Second Supplemental Agreement or of any supplement, modification or amendment to the Lease or because of its or their execution or attempted execution or because of any breach or alleged or attempted breach thereof.

18. Continued Effectiveness

As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

19. Entire Agreement

This Second Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee and the Port Authority agree that no representations or warranties shall be binding upon the other unless expressed in writing in the Lease or in this Second Supplemental Agreement.

20. Counterparts

This Second Supplemental Agreement may be signed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Linda C. Handel
Assistant Secretary

Joanne Ciccolello
Manager, Properties and Commercial Development
Aviation Department

APPROVED
TERMS FORM

ATTEST:

AMERICAN AIRLINES, INC.

(name)
(title)

(name)
(title)

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

THE PORT AUTHORITY OF NEW YORK
AND NEW JERSEY

ATTEST:

Secretary

(name)
(title)

AMERICAN AIRLINES, INC.

ATTEST:

Charles D. MarLett
Corporate Secretary

Laura A. Einspanier
Vice President - Corporate
Real Estate

EXEMPTION (4) – DRAWINGS OF NON-PUBLIC AREAS

Section 76. Airport Operator Limitations

(a) In the Port Authority's operation of the Airport, including, without limitation, the formulation of the policies and procedures respecting such operation and/or the specific application of such policies and procedures and the allocation of costs, the Port Authority agrees that it will not unjustly discriminate against the Lessee or the Premises.

(b) (i) During the Term, for so long as the Lessee makes available Terminal FIS Premises (as hereinafter defined) on a twenty-four (24) hour basis, the Port Authority will not itself construct or operate an airline terminal which includes premises to be made available to the United States for inspection of airline passengers and their baggage by United States Customs and Immigration (such premises to be so used by the United States being called "Federal Inspection Service Premises" or "FIS Premises") or enter into an agreement at the Airport with any Person that is not either (i) a Scheduled Aircraft Operator, or (ii) wholly owned by one or more Scheduled Aircraft Operators and formed to provide air terminal operation services predominantly to such Scheduled Aircraft Operators; for the construction or operation of an airline terminal which includes FIS Premises, unless (i) the operation of such FIS Premises is necessary for the Port Authority to comply with United States Government requirements or (ii) the number of deplaned passengers entering the FIS Premises to be constructed by the Lessee as a portion of the Premises hereunder pursuant to Section 18 of this Agreement (the "Terminal FIS Premises") has exceeded the Design Capacity (as the Design Capacity may be increased from time to time with the written acknowledgment of the Port Authority as to the extent of any such increase, such acknowledgment not to be unreasonably withheld.) For purposes of this Section, the utilization of the Terminal FIS Premises shall be deemed to have exceeded Design Capacity (such event, a "Capacity Deficiency") if the Design Capacity is exceeded in accordance with subparagraph (iii) below.

(ii) In the event of a Capacity Deficiency, the Port Authority may by notice, annexing thereto

appropriate supporting documentation, inform the Lessee that the Port Authority shall thereafter not be subject to the restrictions set forth above in this paragraph (b).

(iii) There shall be a Capacity Deficiency upon the occurrence of all of the following events:

(A) The Average Peak Hourly Passenger Volume exceeds the Design Capacity in an Annual Period; and

(B) The Average Peak Waiting time for an Annual Period exceeds Forty-five (45) minutes; and

(C) The events described in subparagraphs (A) and (B) above occur for two successive Annual Periods.

(iv) (A) "Peak Day(s)" shall mean the three (3) busiest days during each of the eight consecutive calendar weeks (Sunday through Saturday) commencing with the calendar week during which July 1st occurs; and January 2nd, Good Friday, the Friday prior to Memorial Day, the Friday prior to Labor Day, Labor Day, the Wednesday prior to Thanksgiving, the Friday after Thanksgiving and December 22nd, 23rd and 24th for a total of 34 Peak Days during each Annual Period.

(B) "Peak Hours Period" shall mean the continuous two hundred forty (240) minute period on each Peak Day during which the highest volume of arriving international passengers enters the Terminal FIS Premises.

(C) The "Average Peak Hourly Passenger Volume" for each Annual Period shall be determined as follows: The number of arriving international passengers entering the Terminal FIS Premises during the Peak Hours Period on each Peak Day shall be ascertained; then, the sum total volume of such passengers during the Peak Hours Periods on all Peak Days in an Annual Period shall be ascertained. Such total number of passengers shall then be divided by one hundred thirty-six (136) and such quotient shall be the Average Peak Hourly Passenger Volume for such Annual Period.

(D) The "Average Peak Waiting Time" for each Annual Period shall mean the average of the time periods, expressed in minutes per passenger, that ten (10) randomly selected arriving international passengers entering the Terminal FIS Premises during each hour of each Peak Hours Period on each Peak Day in an Annual Period take to clear the Terminal FIS Facilities.

[Supplement No. 1 (8/10/01):]

15.1. *Additional Operators.* A new Section 76 (c) shall be added to the Lease and shall read as follows:

"(c) Notwithstanding the limitations set forth in paragraph (b) above, the Port Authority may itself construct or operate an airline terminal which includes FIS premises or enter into an agreement with another Person to construct an airline terminal which includes FIS premises which in either case is to be primarily utilized by one or more Scheduled Aircraft Operator(s) so long as such Scheduled Aircraft Operator(s) do not hold a Foreign Air Carrier Permit under the Federal Aviation Act of 1958 or a substantially similar permit under any similar federal statute."

EXEMPTION (4) – DRAWINGS OF NON-PUBLIC AREAS

FOR THE PORT AUTHORITY

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 7th day of November in the year 2005, before me, the undersigned, a Notary Public in and for said state, personally appeared JOANNE CICCOLELLO, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

JOHN JODY LEE
Notary Public, State of New York
No. 02LE4821762
Qualified in Queens County
Commission Expires On April 30, 20[illegible]

FOR THE LESSEE

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On the 4th day of November in the year 2005, before me, the undersigned, a Notary Public in and for said state, personally appeared LAURA A. EINSPANIER, Vice President-Corporate Real Estate, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

SHEREE SUTTON
Notary Public, State of Texas
My Commission Expires 04-05-07

Sheree Sutton
(notarial seal and stamp)

THIS SUPPLEMENTAL AGREEMENT SHALL BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

Port Authority Lease No. AYB-085R
Supplement No. 3
John F. Kennedy International Airport

THIRD SUPPLEMENTAL AGREEMENT

THIS THIRD SUPPLEMENTAL AGREEMENT, made as of December 1, 2005 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee");

WITNESSETH, That:

WHEREAS, the Port Authority and the Lessee as of the first day of August, 1976 entered into an agreement of lease bearing Port Authority agreement number AYB-085 covering certain premises at John F. Kennedy International Airport (hereinafter called the "Airport") as therein set forth, which agreement of lease, as amended, supplemented and modified, was further amended, supplemented and modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December, 2000 and bearing Port Authority Agreement No. AYB-085R (said agreement of lease as heretofore amended, supplemented, modified and restated is hereinafter called the "Lease"); and

WHEREAS, the Lessee and U.S. Helicopter Corporation (hereinafter called "USH"), a corporation organized under the law of the State of Delaware, with an office and place of business at Sikorsky Memorial Airport, Main Terminal, Second Floor, 1000 Great Meadow Road, Stratford, Connecticut, 06615, have entered into a proposed Interline Traffic Agreement, dated August 5, 2005, a copy of which is attached hereto and hereby made a part hereof (hereinafter called the "ITA");

WHEREAS, the Port Authority and the Lessee desire to amend the Lease as provided herein;

NOW, THEREFORE, for and in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree as follows:

1. Amendment to Section 75 of the Lease, "Helicopter Operations"

Section 75 of the Lease, entitled "Helicopter Operations", is hereby deleted in its entirety and the following is inserted in its place:

"Section 75. Helicopter Operations

(a) Effective ~~December 1, 2005~~ March 27, 2006 the Port Authority hereby grants to the Lessee the privilege of permitting the use of the helipad portion of the Premises by USH, located on the ramp between Gates 43 and 45 of Terminal 8 as shown in stipple and outlined in broken lines on "Exhibit 75" attached hereto and hereby made a part hereof, for the sole purpose of landing and take-off of helicopters to discharge or pick up passengers, business guests and invitees of the Lessee. The helicopter operations by USH shall be in compliance with all the terms and provisions of the Lease and with the Rules and Regulations of the Port Authority. The Lessee shall be completely responsible for all acts and omissions of USH as if said acts and omissions were the acts or omissions of the Lessee.

(b) The Port Authority shall have the right to cancel the privilege granted to the Lessee as set forth in paragraph (a) hereof at any time and without cause upon thirty (30) days' written notice to the Lessee, and upon the effective date of such notice the Lessee shall no longer have the right to permit USH or any other entity to use the Premises as herein above provided, but the same shall not affect the Lease or any of the terms, rentals, fees, provisions or agreements hereof, all of which shall continue in full force and effect.

(c) The ITA is an agreement between the Lessee and USH with respect to the various matters set forth therein. Nothing contained herein shall constitute an agreement between the Port Authority and the Lessee that the provisions of the ITA shall apply and pertain as between the Lessee and the Port Authority, it being understood that the terms, provisions, conditions and agreements of the Lease shall, in all respects, be controlling, effective and determinative."

2. Amendment to Section 13 of the Lease, "Indemnity and Liability Insurance"

Section 13 of the Lease, entitled "Indemnity and Liability Insurance", is hereby amended as follows:

Effective December 1, 2005, the Minimum Limit of dollar amount of "$100,000,000.00" for Commercial General Liability in paragraph (b) (1) shall be deemed deleted and the dollar amount of "$300,000,000.00" shall be deemed substituted in lieu thereof.

3. Except as hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

4. The Lessee and the Port Authority each represent and warrant to the other that no broker has been concerned in the negotiation of this Third Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. Each party shall indemnify and save harmless the another of and from all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Third Supplemental Agreement.

5. No Commissioner, director, officer, agent or employee of any party to this Third Supplemental Agreement shall be charged personally or held contractually liable by or to the other party under any term or condition of the Lease or of any supplement, modification or amendment to the Lease or because of any breach thereof, or because of its execution or attempted execution thereof.

6. This Third Supplemental Agreement, together with the Lease (to which it is supplementary) constitutes the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in the Lease or this Third Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By:

(Title) David Kagan
Assistant Director
Business, Properties & Airport Development

(Seal)

ATTEST:

Secretary
Charles D. MarLett

AMERICAN AIRLINES, INC.

By:

(Title) LAURA A. LINDENMEIER
Vice President
Corporate Real Estate

(Corporate Seal)

Port Authority Use Only:	
Approval as to Terms:	Approval as to Form:

PDN/dmt

August 5, 2005

Mr. Donal McSullivan
Senior Vice President and Chief Marketing Officer
US HELICOPTER CORPORATION
Downtown Manhattan Heliport, Pier 6, East River
New York, NY 10004

Dear Donal,

Re: Interline Traffic Agreement ("Agreement") between
American Airlines, Inc. ("American") and
US Helicopter Corporation ("US Helicopter")

This letter confirms that American Airlines, Inc. and US Helicopter Corporation have agreed to the following, with effect for transactions beginning on the first date of US Helicopter scheduled services:

1. All dealings of the parties with respect to transportation services which are the subject of the MITA-P (as hereinafter defined) shall, except to the extent prohibited by applicable law or as otherwise provided herein, be governed by the MITA-P, other than the administrative provisions of Article 10 thereof, as if each of the parties hereto had become a party to the MITA-P effective as of the date hereof. If a party would be considered a "non-IATA airline" or "associate member of IATA" (as such terms are used in the MITA-P), the terms of the MITA-P shall be applied in the dealings of the parties hereto as if such party became a party to the MITA-P in such capacity.

For purposes of this Agreement, "MITA-P" means the IATA Multilateral Interline Traffic Agreement - Passenger, attached hereto as Exhibit A and incorporated herein by this reference, as amended from time to time as provided below. For the avoidance of doubt, the parties agree that (i) IATA Resolutions and Recommended Practices referred to in the MITA-P shall govern their dealings if and to the extent such resolutions and practices would have applied had the parties become parties to the MITA-P through the administrative provisions of Article 10 thereof, and (ii) the parties shall be deemed to have concurred in and adopted all amendments which may hereafter be made to the MITA-P pursuant to Article 10.4 thereof, unless a party hereto provides written notice to the other party of non-acceptance of such amendment within thirty days from the date the text of such amendment is first mailed to parties to the MITA-P pursuant to such Article 10.4. It shall be each party's responsibility to procure copies of the respective IATA Resolutions and Recommended Practices and any such amendments to the MITA-P as stated in and for purposes of the previous sentence. Terms used but not defined herein shall have the respective meanings ascribed thereto in the MITA-P.

2. Neither party may issue Tickets, MCOs, or other traffic documents for flights operated by the other party. Any reference in the MITA-P to the acceptance by either party of documents issued by or on behalf of the other party shall be superseded by the terms described in this Agreement.

3. As Receiving Airline at a transfer point, each party reserves the right to establish by written notice to the Delivering Airline an exceptional minimum connecting time that is greater than the otherwise applicable time required for the interline transfer of passengers and their accompanied baggage. The Delivering Airline shall immediately confirm acceptance of this exceptional connecting time to the Receiving Airline and applicable industry contacts as defined in governing IATA resolutions.

4. Until US Helicopter becomes a member of Airlines Clearing House, Inc., settlement of amounts due between the parties, including for obligations between US Helicopter and American's corporate affiliates, shall be made directly, on a net offset basis, accomplished on a monthly basis using the procedures defined in the Airlines Clearing House "Manual of Procedure", which are hereby included and made a part of this Agreement, to the extent applicable.

Termination

5. The provisions of the MITA-P notwithstanding, either party may terminate this Agreement for any or no reason upon three days' written notice to the other party.

6. If either party suspends its scheduled passenger operations in whole or in substantial part, or if either party files for protection from creditors under bankruptcy or receivership laws, or if either party should become involved voluntarily or involuntarily in proceedings to declare it bankrupt, the other party may, upon written notice, terminate this Agreement with immediate effect.

7. If the parties settle through a clearing house, this interline traffic agreement shall automatically terminate if either party is suspended from the clearing house for failure to pay its monthly settlement. The date of termination shall be reflected as the date of the clearing house suspension. Furthermore, if either party voluntarily withdraws from participation in the clearing house settlement procedures, it shall immediately inform the other party thereof and the other party may, upon written notice, terminate this Agreement with immediate effect.

8. If either party is delinquent in its payment, either directly or via the clearing house, the other party may with two days written notice cancel the interline traffic agreement. If payments are late, or either party has reason to believe that payments of the other party are likely to be late, either party may, in lieu of terminating the agreement, immediately require the other party to post a bond, in a form and amount satisfactory to the party initiating the request for a bond, guaranteeing payment of all amounts due under this agreement.

9. Termination of this Agreement will not relieve either party from obligations incurred hereunder before the effective date of such termination.

Other

10. Except as required by applicable law, all terms and conditions of this Agreement shall be treated as strictly confidential by US Helicopter and American.

11. Neither American nor US Helicopter makes any representation to any party whatsoever concerning the revenues to be derived by US Helicopter or American under this Agreement.

12. This Agreement shall be governed by the laws of the State of Texas. Article 9 of the MITA-P shall not apply to any disputes or claims concerning the scope, meaning, construction, or effect of this Agreement or arising therefrom and the parties hereby submit and consent to the exclusive jurisdiction of the United States District Court for the Northern District of Texas, Fort Worth Division, and the District Court of Tarrant County, Texas in any dispute arising out of this Agreement.

If the foregoing is acceptable to US Helicopter, please indicate your concurrence by signing and dating each of the duplicate originals of this letter in the space provided below.

Sincerely,

AMERICAN AIRLINES, INC.

Timothy A. Skanil
Managing Director,
International Planning

US Helicopter Corporation

Signed:

Name: DONAL McSULLIVAN

Title: SENIOR V.P. & CHIEF MARKETING OFFICER

Date: August 5TH 2005

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EXEMPTION (4) – DRAWINGS OF NON-PUBLIC AREAS

Form - All-Purpose Ack. N.Y. (rev 1/4/2000)

For the Port Authority of NY & NJ

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 20TH day of JUNE in the year 2006, before me, the undersigned, a Notary Public in and for said state, personally appeared DAVID KAGAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Gail E. Mitchell
(notarial seal and stamp)

GAIL E. MITCHELL
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01MI6026210
QUALIFIED IN QUEENS COUNTY
COMMISSION EXPIRES JUNE 14, 2007

For American Airlines, Inc.

STATE OF)
) ss.
COUNTY OF)

On the 21ST day of March in the year 2006, before me, the undersigned, a Notary Public in and for said state, personally appeared Laura Ginspanizer, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Rowena Thom
(notarial seal and stamp)

ROWENA THOM
Notary Public, State of Texas
My Commission Expires 10-26-08

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME I

INDEX OF CLOSING DOCUMENTS

Document Number

1. Basic Lease.
2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).
3. First Supplemental Agreement to Port Authority Lease.
4. Agreement Towards Entering into a Lease.
5. Recognition, Non-Disturbance and Attornment Agreement.
6. Consent to Subleases and Leasehold Mortgage Agreement.
7. Company Sublease Agreement.
8. IDA Lease Agreement.
9. Master Indenture of Trust.
10. First Series Supplemental Indenture of Trust.
11. Second Series Supplemental Indenture of Trust.
12. American Airlines, Inc. Guaranty.
13. AMR Corporation Guaranty.
14. Form of Leasehold Mortgage and Security Agreement.
15. Equipment Security Agreement.
16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

DOCUMENTS DELIVERED BY THE
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

Exhibit A

By-Laws of the Agency.

Exhibit B

Inducement and Authorizing Resolutions.

Exhibit C

Specimen Bonds.

Exhibit D

Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

Exhibit A

Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

DOCUMENTS DELIVERED BY AMR CORPORATION

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE BANK OF NEW YORK

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

UNDERWRITING DOCUMENTS

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

Agreement, made this 17th day of April, 1947, by and between The City of New York, a municipal corporation of the State of New York with its principal office at the City Hall, in the Borough of Manhattan, City of New York, (hereinafter called the "City"), and The Port of New York Authority, a body corporate and politic, created by compact between the States of New York and New Jersey with the consent of Congress with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York, (hereinafter called the "Port Authority").

Whereas, the City and Port Authority are agreed that the improvement, development, operation and maintenance of Idlewild Airport, LaGuardia Airport and Floyd Bennett Field by the Port Authority and at its expense will be in the public interest, and

Whereas, by chapters Eight hundred two and Forty-three, respectively, of the Laws of New York and the Laws of New Jersey of 1947, said two states have declared it to be their policy to encourage the integration of air terminals within the Port of New York District so far as practicable in a unified system, and in furtherance of said policy have authorized the Port Authority to improve, develop, operate and maintain air terminals, and have authorized and empowered cities and other municipalities in the Port of New York District to consent to the use by the Port Authority of any air terminals owned by them and of any real and personal property owned by them, and

Whereas, the City, by resolution duly adopted by its Board of Estimate on the 17th day of April, 1947, (Cal. No. 5) authorized the execution and delivery of this agreement, and

Whereas, by resolution duly adopted by its Board of Commissioners on the 17th day of April, 1947; the Port Authority authorized the execution and delivery of this agreement,

Now, Therefore, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns as follows:

1. Definitions

As used in this agreement the following words and phrases shall be construed as follows:

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"MAP I", "MAP II" and "MAP III" shall mean the maps annexed hereto marked Map I, Map II and Map III.

"Air Terminal" shall mean an air terminal as defined in Section 3 of Chapter Eight hundred two of the Laws of New York, 1947 and Chapter Forty three, Laws of New Jersey, 1947.

"Demised premises" shall mean (a) the lands shown in green on Map I, Map II, and subject to the provisions of section 29 hereof, Map III annexed hereto; (b) the buildings, structures and other improvements thereon; (c) all items of personal property now owned by the City and listed in the schedule "C" hereto annexed; (d) such other parcels of property, easements and interests in land as are listed in schedule "A" hereto annexed; (e) additional and after acquired property as well as improvements thereon and equipment used exclusively in connection with the operation of the municipal air terminals and purchased or acquired for municipal air terminal purposes.

"LaGuardia Airport" shall mean an air terminal situated upon the portion of the demised premises shown in green upon Map I and upon such premises contiguous thereto as may be acquired by or in the name of either party for use in connection with that portion of the demised premises.

"Idlewild Airport" shall mean an air terminal situated upon the portion of the demised premises shown in green upon Map II and upon such premises contiguous thereto as may be acquired by or in the name of either party for use in connection with that portion of the demised premises.

"Floyd Bennett Field" shall mean an air terminal situated upon the portion of the demised premises shown in green upon Map III, and upon such premises contiguous thereto as may be acquired by or in the name of either party for use in connection with that portion of the demised premises.

"Municipal air terminals" shall mean Idlewild Airport, LaGuardia Airport and Floyd Bennett Field.

"Bonds issued for municipal air terminal purposes", shall mean bonds, notes, securities or other obligations or evidences of indebtedness of the Port Authority (including refunding issues) issued by it to provide funds for the effectuation, establishment, construction, rehabilitation, improvement, maintenance or operation of the municipal air terminals, and for purposes incidental thereto, including without limiting the generality hereof, the acquisition of such contiguous premises, the acquisition of air space for approach zones, transition zones and turning zones, and

the establishment, maintenance and operation of beacons or other aids to avigation at sites removed from such air terminals. The proceeds of such bonds shall be used solely for such purposes.

"Approach zones", "transition zones", and "turning zones" shall mean approach zones, transition zones and turning zones (for aircraft at runways at air terminals) having the dimensions and other characteristics shown on Drawing No. 672, dated September 1, 1946, of the Office of Airports of the Civil Aeronautics Administration of the United States Department of Commerce, a copy of which is annexed hereto.

"Gross operating revenue", shall mean gross operating revenues of the Port Authority from the municipal air terminals from whatever source derived.

"Net operating revenue" shall mean the amount remaining after deducting the following items from the gross operating revenue:

(a) The expense of the Port Authority directly attributable to the operation and maintenance of the municipal air terminals (other than the rent payable to the City by the Port Authority for the demised premises and general administrative expenses.) No deduction, allowance, or provision for depreciation is to be included in the expenses of operation and maintenance.

(b) Ten per cent of such operating and maintenance expense for administration.

(c) Interest at the coupon or stated rate upon outstanding Port Authority bonds issued for municipal air terminal purposes.

(d) Amounts required to be paid into sinking funds annually for the redemption of sinking fund bonds issued for municipal air terminal purposes.

(e) Amount required for serial maturities of bonds issued for municipal air terminal purposes.

(f) Amortization (upon a twenty year basis) of Port Authority funds, but not interest, (other than bond proceeds or federal or state grants) expended upon capital improvements at the municipal air terminals.

"Annual net revenue" shall mean net operating revenue computed upon a calendar year basis.

"Plane movement" shall mean either the landing or the taking off of an aircraft, and the landing and taking off of an aircraft shall be deemed to constitute two plane movements.

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2. Lease of Demised Premises

The City hereby demises and leases to the Port Authority, and the Port Authority does hereby take and hire from the City for air terminal purposes and for purposes incidental thereto the following property: (a) the lands shown in green on Map I, Map II and subject to the provisions of section 29 hereof, Map III annexed hereto, excepting therefrom, however, the parcels designated on said Map II as 5, 6, and 7, possession of which parcels shall be given to the Port Authority upon vesting of title thereto in the City, but the failure to give such possession prior to the vesting of title shall in no way affect the rental to be paid hereunder as hereinafter provided; (b) the buildings, structures and other improvements thereon; (c) all items of personal property now owned by the City and listed in the Schedule "C" hereto annexed; (d) such other parcels of property, easements and interests in land as are listed in Schedule "A" hereto annexed; (e) additional and after acquired property as well as improvements thereon and equipment used exclusively in connection with the operation of the municipal air terminals and purchased or acquired for municipal air terminal purposes; all of which the Port Authority shall have and hold for and during the term hereinafter specified.

The City hereby consents to the use of the demised premises for the purposes herein stated.

If within ten (10) years from the date of this agreement the construction of Nassau Expressway has been authorized and actually started, the Port Authority hereby consents to the reduction of the demised premises to the extent of all or any part of the strip shown on Map II and marked "future Nassau Expressway" without any reduction of rent, subject however, to the provision that the northerly boundary of the municipal air terminal shown on Map II shall run along Nassau Expressway and that access between the Expressway and the demised premises shall be provided at at least two points along the same and that a traffic interchange shall also be provided at a third point along the same.

3. Term

The term for which the demised premises are leased shall commence on the first day of June, 1947, subject to the provisions hereafter set forth in section 12, and shall expire on the day when all of the bonds issued by the Port Authority for municipal air terminal purposes shall have been paid; provided, that for the purpose of determining the date of the expiration of said term, matured bonds not presented for payment at the date of maturity and called bonds not presented for payment at the date set for redemption, shall be considered as paid.

The Port Authority shall not issue any bonds for Municipal Air Terminal purposes maturing later than May 31, 1997 and any bonds so issued and maturing subsequent to May 31, 1997 shall not be taken into consideration in determining the date of the expiration of said term.

Upon the expiration or sooner termination of said term the Port Authority covenants and agrees that it will give up, surrender and deliver to the City the demised premises together with all buildings, structures and improvements thereon, as well as all personal property, furniture, fixtures and other equipment contained therein and used exclusively in connection with the operation of the municipal air terminals, the intent being that when the demised premises are returned to the City such premises shall be in good condition as operating airports, depreciation, obsolescence, ordinary wear and tear excepted, all of which shall be free and clear of any and all liens, debts or encumbrances of whatsoever kind, nature and description.

4. RENT

The Port Authority shall pay to the City as rent for the demised premises for each calendar year, either (a) a minimum annual rent which, for the period from June 1, 1947 to December 31, 1956, shall be at the rate of $350,000 per year and which for the balance of the term for which the demised premises are leased shall be at the rate of $450,000 per year, or (b) in the alternate, but only under the circumstances hereinafter specified, a percentage of the net revenue of the municipal air terminals.

If the net operating revenue of the municipal air terminals for a period from June 1, 1947 through the last day of any calendar year, less the aggregate rent for the period, shall exceed five per cent (5%) of the total of the following two amounts, to wit:

(1) the principal amount of all Port Authority bonds issued for municipal air terminal purposes (except for hangars, shops and related facilities [other than general purpose hangars, shops and related facilities] and gasoline distribution systems and related facilities) and outstanding on the last day of such calendar year, less the assets of any sinking fund established for the redemption of sinking fund bonds issued for municipal air terminal purposes, and

(2) the aggregate amount of interest payable on such bonds at their coupon or stated rate from the last day of such calendar year to the date of their

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maturity, less interest on such sinking fund assets for the same period at the same rate,

then the rent to be paid by the Port Authority for the succeeding calendar year, shall be either the minimum rent hereinbefore specified or seventy-five per cent (75%) of the annual net revenue for such succeeding calendar year (whichever is greater).

For the purpose of computing rents, revenues and expenses, any revenues received or derived by the Port Authority from properties contiguous to the demised premises, and used by it for air terminal purposes, and any expenses incurred by it in the operation and maintenance of such contiguous properties, and any income derived or expenses incurred in connection with beacons, guides or other aids to avigation acquired, owned or operated by it at sites away from the municipal air terminals, shall be deemed to be revenues and expense of the municipal air terminals.

The rent to be paid by the Port Authority for each year shall be due and payable to the City on or before January 31 of the following year.

No breach of any covenant, term or condition in this agreement shall excuse the Port Authority from the prompt payment of the rent herein reserved.

5. REPAIRS

The Port Authority shall take good care of the demised premises together with all improvements, fixtures and personal property therein, whether now on the premises or hereafter added, and shall make all necessary repairs, inside and outside, structural or otherwise, so as to maintain and preserve them in good order and condition and keep the demised premises as operating airports in good condition, ordinary wear and tear excepted.

6. PERSONAL PROPERTY

The Port Authority shall have the right to use all of the equipment and personal property located at the demised premises and listed in Schedule C hereto annexed, . . . any and all equipment and personal property acquired or intended for installation or use at the demised premises whether contained therein or stored elsewhere.

It Is Understood And Agreed that such personal property is expendable and the Port Authority shall have no obligation to replace the same and any such personal

property which may become worn out or obsolete may be disposed of by the Port Authority in its discretion.

The Port Authority shall, however, replace such equipment as may be required to keep the demised premises operating as going airports. All equipment used exclusively in connection with the operation of the demised premises as municipal air terminals and purchased or acquired for municipal air terminal purposes shall be turned over and become the property of the City upon the termination of this agreement.

7. Assignment and Mortgages

The Port Authority shall not assign, mortgage, pledge, hypothecate, or encumber this agreement or any part thereof or sublet the demised premises or one or more of the municipal air terminals in its or their entirety. In the event this lease is assigned, pledged, mortgaged, hypothecated, or encumbered in any way, or sublet in violation of the provisions hereof, the City, in addition to any other remedies it may have, may collect rent from any assignee of the premises or any undertenant or occupant thereof, and apply the net rent collected to the rent reserved herein; but no such assignment, occupancy, or collection shall be deemed a waiver of this covenant or the acceptance of the assignee or subtenant as a tenant or a release of the Port Authority from the further performance by it of the covenants on its part to be performed.

The Port Authority may sublet or sublease parts of the demised premises for the purposes set forth in Section 2 hereof and enter into other agreements with third persons for the use thereof for such purpose. This consent shall not, however, include the right to sublet the entire demised premises or to sublet one or more of the municipal air terminals in its entirety.

Nothing in this section contained shall prevent the Port Authority from pledging, in whole or in part, the revenues of the municipal air terminals other than the rent payable to the City, as security for the payment of bonds issued for municipal air terminal purposes and for the fulfillment of other obligations assumed by it, to or for the benefit of the holders of such bonds, or from making such bonds a lien or charge upon such revenues.

8. Accounts

The Port Authority shall keep separate books, records and accounts in regard to the financing, refinancing, construction, operation, and maintenance of the demised

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premises, and the Comptroller of the City of New York and his designated representatives shall have the right to inspect such books, records, and accounts during regular business hours. The Port Authority shall deliver to the Comptroller of the City on or before the 31st day of January of each and every year of the term hereof a complete report and accounts in regard to the financing, refinancing, construction, operation and maintenance of the demised premises and shall also furnish a copy of any audit report made by the internal auditors of the Port Authority or by independent accountants relating to the municipal air terminals or the demised premises.

9. FINANCING AND DEVELOPMENT OF AIR TERMINALS

The Port Authority shall be obligated to provide from the proceeds of the sale of its bonds or other available funds, such amounts as may be necessary to rehabilitate, expand, improve and develop the municipal air terminals, up to the sum of $198,500,000 in the aggregate, including cost of hangars, (the intent hereof being that the Port Authority shall not be obligated to make capital expenditures in the three municipal air terminals aggregating in excess of that amount) but the Port Authority shall have the right in its discretion to issue bonds and to make expenditures in excess of that amount for air terminal purposes in connection with the municipal air terminals.

None of the bonds issued by the Port Authority shall be a lien or charge upon the demised premises.

Subject to the foregoing, the Port Authority shall rehabilitate, expand, improve, and develop the municipal air terminals as first-class modern air terminals. To this end it shall do, among other things, the following in accordance with modern engineering procedure:

(a) Restore and retain at proper elevation the eastern portion of LaGuardia Airport.

(b) Extend and improve a runway or runways at LaGuardia Airport to the extent necessary to keep the field in operation during the restoration of the eastern portion thereof.

(c) Construct a new and enlarged terminal building and terminal area for LaGuardia Airport.

(d) Develop Idlewild Airport as a multiple runway field with a capacity of 1,000 plane movements per day, and provide therein such new runway or runways as may be desirable for instrument operations.

(e) Construct such building or buildings at Idlewild Airport as may be necessary for international and domestic terminals and for office space.

(f) Provide other necessary facilities for the accommodation of aircraft and for the loading, unloading, transfer, and interchange of passengers and cargo and for the use and convenience of operators and passengers.

Prior to June 1, 1954, the Port Authority shall expend a minimum of $100,000,000 (based on March 1947 construction costs) for the foregoing purposes and for other air terminal construction purposes at or in connection with the municipal air terminals, exclusive of the construction of hangars, shops and related facilities (other than general purpose hangars, shops and related facilities) and the gasoline distribution systems and related facilities.

To determine whether the Port Authority has complied with this provision, the amount of its expenditures for said purposes shall be converted to a March 1947 basis, using the yearly average Engineering News Record Construction Cost Index. This conversion shall be made at the end of each calendar year by applying the aforesaid yearly index to the total amount of such expenditures during that year.

Title to all buildings, structures, and additions made or added to the demised premises by the Port Authority or any of its subtenants shall vest in the City immediately upon annexation, except where leases, permits, licenses or other agreements provide that title thereto shall remain in lessees, permittees or other third persons.

Bonds issued by the Port Authority for municipal air terminal purposes shall not be an obligation of the City, and the Port Authority shall have no power to pledge the credit of the City in any way whatsoever.

10. COMPETITIVE FACILITIES

During the term for which the demised premises are leased, The City shall not, except as hereinafter provided, promote, finance, establish, construct, operate, or maintain any competitive airplane runways, landing areas, or other facilities for the landing or taking-off of aircraft, without the consent of the Port Authority, and shall not authorize any other person so to do, without such consent. Airplane runways, landing areas, or other facilities designed or used for the landing or taking off of aircraft shall be deemed to be competitive with the municipal air terminals if they are designed or used for the accommodation of any aircraft operated by common or contract carriers on scheduled or non-scheduled flights carrying passen-

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gers, mail, or cargo who or which are moving between a point within the Port of New York District and a point without the Port of New York District; or if they are designed or used for the accommodation of other aircraft having an allowable gross weight at take-off under existing or future Federal regulations in excess of 10,000 pounds. This prohibition shall not apply to the existing seaplane bases at the foot of 23d Street and the foot of Wall Street, Borough of Manhattan, until January 1, 1950; and shall not apply to other privately owned or operated airplane runways, landing areas, seaplane bases, or other facilities for the landing or taking off of aircraft, already existing under permits heretofore granted by the City, provided the capacity and type of use of such privately owned or operated facilities are not substantially increased or changed.

The provisions hereof shall in no way affect the right of the City to have power of regulation over airports, airplane landing sites, and seaplane bases in the Port of New York or in the City, which are privately owned or operated; nor the right to regulate such further local facilities, particularly helicopter landing sites and seaplane bases, as may be required in the public interest.

During the term for which the demised premises are leased the Port Authority shall not promote, finance, establish, construct, operate or maintain within the limits of the City any airplane runways, landing areas, or other facilities for the landing or taking off of aircraft without the consent of the City except at the municipal air terminals. Nothing herein contained, however, shall prevent the Port Authority from promoting, financing, establishing, constructing, operating or maintaining airplane runways, landing areas, or other facilities for the landing or taking off of aircraft at any point or points outside of the limits of the City.

11. GARBAGE REMOVAL, SNOW REMOVAL, POLICE AND FIRE PROTECTION

(a) The Port Authority shall collect garbage and refuse at each of the municipal air terminals and deposit the same at central deposit points within each of such air terminals as may be agreed upon between the parties. The City shall collect and remove the garbage and refuse from such central deposit points.

(b) The City shall not be responsible for removal of snow and ice from the demised premises. The Port Authority shall not place such snow and ice upon any of the public streets or highways of the City.

(c) The Port Authority will provide police for patrolling, for guarding and for traffic control in the demised premises, and equipment and personnel for aircraft crash and rescue work. The City will have no responsibility for maintaining fire

or police personnel in the demised premises. The City agrees that its Police Department will respond to calls from the Port Authority in the event of the commission of crime, rioting, disasters and other emergencies in the demised premises, and that its Fire Department will respond to calls to put out structural fires and handle emergencies.

12. Operating Contracts

The lease of the demised premises is subject to the leases, permits, contracts, and agreements listed on Schedule B annexed hereto; and the City hereby assigns and transfers to the Port Authority, as of June 1, 1947, all its right, title, and interest in and to said leases, permits, contracts, and agreements, together with any and all deposits and rents prepaid thereunder, and the Port Authority hereby assumes the obligations of the City thereunder not including, however, any claims arising prior to June 1, 1947, except as hereinafter provided. The City shall pay over to the Port Authority all such deposits and prepaid rents under or in connection with said leases, permits, contracts, and agreements ten days after the commencement of the term of this lease, except as hereinafter provided on Schedule E.

This assignment includes any and all rights or causes of action now existing in favor of the City against any person or persons, firm or corporation arising out of any of the leases, permits, contracts, and agreements hereby assigned. All collections arising out of the causes of action so assigned shall be and become revenues of the municipal air terminals.

The Port Authority shall be responsible for and shall indemnify the City and hold it harmless from all claims arising out of or in respect to all leases, permits, licenses, contracts and agreements listed on Schedule B where such claims arise on or after June 1, 1947. The City, however, shall be responsible for and shall indemnify the Port Authority for and hold it harmless from any claims arising out of acts done or omitted to be done by the City in respect to any contracts, leases, licenses or permits relating to the demised premises not referred to in Schedule E, prior to June 1, 1947.

This agreement is dependent upon the delivery to the Comptroller of the City, on or before May 31, 1947, of consents and releases in substantially the form annexed hereto and marked Schedule F, duly executed by the persons, firms or corporations listed on Schedule E, consenting to the assignment of the leases or agreements between such persons, firms or corporations and the City and releasing the City from any and all claims arising out of such leases or agreements. Such con-

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sents and releases shall be subject to the approval of the City and of the Port Authority as to form, substance and manner of execution, which approval may be given by the Port Authority through its Chairman, Vice Chairman or Executive Director and of the City by its Corporation Counsel. If by the date hereinbefore specified, all of such consents and releases have not been delivered as aforesaid, then in that event this agreement shall be of no force or effect whatsoever and as though it were never entered into and the term herein provided for shall not begin; provided, that if any such consent and release approved as aforesaid shall thereafter prove to be invalidly executed, then this lease shall nevertheless be in full force and effect but the Port Authority shall indemnify the City against any claims by the person, firm or corporation on behalf of whom such release and consent purported to be signed arising out of the transactions recited in such release and consent.

Rentals, fees, and other payments due and prepaid under said leases, permits, contracts, and agreements shall be apportioned, allowed, and adjusted between the City and the Port Authority as of June 1, 1947.

In the event any rents, fees or other payments become due on or prior to June 1, 1947 and shall not have been paid to the City, then the Port Authority is authorized to collect the same on behalf of the City, and upon such collection, the amounts so collected shall be adjusted and the sums due shall be paid over to the City by the Port Authority.

The City agrees not to enter into any extension or renewal of any of such leases, permits, contracts and agreements, or to enter into any new leases, permits, contracts or agreements authorizing any use of the demised premises by any third person, except such as will by their terms terminate on July 31, 1947.

13. Sewer and Other Rights Reserved to the City

The parties recognize that there are presently located in the demised premises sewers, water mains, sludge lines, a sludge dock and a sludge tank, power lines, telephone and signal lines, the right to the maintenance of which is reserved in the City. For that purpose, the City and its duly designated officials and employees shall have the right at all times to enter upon the demised premises with men, equipment, trucks and vehicles for the purpose of making repairs, replacements, extensions and relocations as shall be necessary in the opinion of the City.

In the event the extension of any such sewers shall become necessary by reason of fill to be placed by the Port Authority, then and in that event such sewers shall be extended by the Port Authority at its own cost and expense in accordance with plans

and specifications approved by the President of the Borough where such facilities are located and the Chief Engineer of the Board of Estimate of the City and under the supervision of such officials.

In the event the City determines that it is necessary to relocate or except as above provided to extend any sewer, water main, or other facility owned and controlled by it within the demised premises, then the same shall be relocated or extended at the cost of the City, and at a place agreed upon between the City and the Port Authority. In the event, however, it becomes necessary to relocate any sewer, water main or other facility located within the demised premises belonging to the City because of any construction, fill or excavation, done or to be done by the Port Authority such relocation shall be done at the sole cost and expense of the Port Authority and upon plans and specifications approved by the President of the borough where such facilities are located, and the Chief Engineer of the Board of Estimate of The City of New York, and under the supervision of such officials.

The City further reserves the right to use Thurston Basin and Bergen Basin within the demised premises and shown on Map II as outlets for storm sewers, and the further right to use Bergen Basin as a means of access by tugs, tug-boats, barges and other water craft between Jamaica Bay and the sludge dock and tank located on the west side thereof. The City shall perform any dredging work necessary to maintain Thurston and Bergen Basins in condition for such purposes. The Port Authority shall have the right to bulkhead the sides of the basins and dredge Thurston and Bergen Basins for navigation purposes if it so desires to do, and to use or permit their use for such purposes, but the City shall have no obligation to dredge or maintain them for those purposes.

The lease of the demised premises is subject to any existing easements or rights of gas, electric and other public utility companies to maintain facilities therein.

The Port Authority shall not construct or demolish any building or structure or make any excavation which will in any way interfere with or affect the usefulness of any City-owned sewer, watermain or similar facility located within the demised premises and serving areas or property without the demised premises, without the consent of the President of the Borough or Boroughs within which such area or land outside of the demised premises is located and of the Chief Engineer of the Board of Estimate of the City.

14. WATER SERVICE

The City shall provide and maintain all water supply lines up to the perimeter of the demised premises necessary to serve the municipal air terminals. The

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Port Authority shall at its own expense, install and maintain such meter or meters as may be decided by the Department of Water Supply, Gas and Electricity as best suited for determining the amount of water consumed or used within such municipal air terminals, other than those for which provision is made in the contracts referred to in section 28 hereof which are to be completed by the City, and the Port Authority shall pay the City for all water so consumed at the City's established rates.

15. INSURANCE

The Port Authority hereby undertakes and agrees to indemnify and save the City harmless from any claims, causes of action or judgments, by reason of personal injuries sustained by any person or persons, including death, in the demised premises and for any claims for damages to property, and agrees to procure at its own expense insurance in companies permitted to do business in the State of New York, such liability insurance as will protect the City from any such claims, suits, demands or judgments which may arise from the operation, control or occupancy of the demised premises. Such liability insurance shall provide limits of at least $1,000,000 for property damage and limits of at least $200,000 for one person and $2,000,000 for more than one person injured or killed in any one occurrence.

The Port Authority further agrees to procure fire insurance with extended coverage endorsement on all buildings, structures, equipment and fixtures in or upon the demised premises used in connection with the operation of the municipal air terminals. Such policy shall cover the property to the extent of 80% of the value thereof, and cover the interests of both the City and the Port Authority. All policies shall provide that loss, if any, shall be payable to the Port Authority which shall hold the proceeds of all such insurance in a trust fund for the purpose of repairing or reconstructing any of the buildings, structures, equipment or fixtures damaged or destroyed by reason of any of the risks insured against by such policies or for the purpose of making other capital improvements to the municipal air terminals. In the event the proceeds of such insurance exceeds the cost of any such repair or reconstruction, or of the making of such capital improvements, such excess shall be paid to the City. If the Port Authority shall not commence such repairs, reconstruction or other capital improvement within one year from the date of receipt of the proceeds of such insurance, the same shall be paid over to the City. In the event such proceeds shall be insufficient, then the Port Authority shall make such repairs, replacement or reconstruction with other than operating funds.

Notwithstanding the foregoing provision of this section, in any case where an improvement on the demised premises is destroyed (the original cost of which was

to be amortized by rental payments from a tenant or lessee of the Port Authority) and is not replaced, the proceeds of so much of the insurance covering such improvement, together with any amounts set aside for the payment of bonds issued for municipal air terminal purposes attributable to such improvement, shall be applied to the payment of any such bonds then outstanding and interest thereon, and the remainder, if any, shall be paid to the City.

If any such bonds shall not be then redeemable, then the sums so paid to the Port Authority as herein provided, together with any amounts set aside for the payment of such bonds shall be held by the Port Authority in a special fund.

If, after the payment or redemption of all such bonds with interest, there shall remain any balance in such special fund, including any appreciation thereon, the Port Authority shall pay such balance to the City. The Port Authority shall not be liable to the City for any loss to such special fund by reason of the investment thereof, provided that such funds shall only be invested in bonds of the United States, the State of New York, the State of New Jersey, the City of New York, or bonds issued by the Port Authority for municipal air terminal purposes.

All policies or certificates thereof providing all of the aforesaid insurance, shall be delivered to the Comptroller of the City and the premiums fully paid by the Port Authority.

Subject to the foregoing, the City hereby assigns and transfers to the Port Authority as of June 1, 1947, all of its right, title and interest in and to any insurance covering the City which has been furnished to it under the aforesaid leases, permits, contracts and agreements, which policies of insurance shall be delivered by the City to the Port Authority on or before July 15, 1947.

10. Relocation of Tenants

There are presently existing within the demised premises shown on Map II various buildings occupied by residential tenants. Notwithstanding any other provision of this agreement the City shall continue to collect for its own account rent from such tenants so long as they remain in possession of the premises. The City shall when requested by the Port Authority take steps to remove or relocate all such tenants and may at its option remove all such residential buildings now on the demised premises. In the event of the removal or relocation of such buildings by the City, the City shall receive and retain the proceeds of the sale of any such building or buildings or any of the fixtures therein contained. Upon the removal of all such tenants, the Port Authority shall pay to the City $45,000. as its share of the cost of removing or relocating the aforesaid tenants or property.

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17. LEGISLATION

The Port Authority agrees that prior to January 31, 1948, it will recommend to the Governors and Legislatures of the States of New York and New Jersey, the adoption of legislation in the form set forth in Schedule D annexed hereto.

The Port Authority agrees that it will cooperate with the City in obtaining certificates of legislative intent to urge the enactment of such legislation from the majority and minority leaders of the Senate and Assembly of the States of New York and New Jersey.

18. FEDERAL AID

The City agrees to cooperate with the Port Authority, if so requested by the Port Authority, in making any necessary applications for and in securing any and all federal aid which may be obtainable for the municipal air terminals under any applicable federal laws.

19. ACQUISITION OF LANDS BY THE CITY

Condemnation proceedings have been initiated by the City to acquire the parcels numbered 1, 2, 3 and 4 on Map II, and title thereto has been already vested in the City, but the amounts to be paid to the prior owners as compensation therefor have not as yet been paid by the City. The City does not as yet have title to the Parcels Nos. 5, 6 and 7 on Map II, but it agrees to acquire by condemnation Parcel No. 5 on or before January 1, 1949, and to acquire by condemnation Parcels Nos. 6 and 7 on or before January 1, 1951. Upon the vesting of title thereto in the City, said Parcel Nos. 5, 6 and 7 shall become a part of the demised premises and shall be subject to all the terms and conditions of this Agreement.

As payments are made by the City to the prior owners, the Port Authority shall reimburse the City for the purchase price or awards and interest paid by it to such owners for the acquisition of said Parcels Nos. 1 to 7 inclusive, up to but not exceeding $4,000,000 in the aggregate on account of all seven parcels.

20. PHYSICAL CHANGES

Except as herein expressly provided in this Agreement, the Port Authority shall have the right to alter, change, remove, relocate or demolish any building, structure or improvement on the demised premises, to place fill upon or excavate the demised premises, to erect structures and improvements thereon or therein, and to make other physical changes thereon or therein.

21. Policy in Regard to City Ordinances and Regulations

In the rehabilitation, improvement, operation and maintenance of the municipal air terminals, the Port Authority will as a matter of policy, conform to the enactments, ordinances, resolutions and regulations of the City and its various departments, boards and bureaus, in regard to the construction and maintenance of buildings and structures, and in regard to health and fire protection, which would be applicable if the Port Authority were a private corporation, to the extent that the Port Authority finds it practicable so to do, without interfering with, impairing or affecting the efficiency and economy of its air terminal operations, or its ability to operate the municipal air terminals upon a self-supporting basis, or its obligations, duties and responsibility to the two states, its bondholders and the general public, but the decision of the Port Authority as to whether it is practicable so to do shall be controlling. To that end, the Port Authority shall submit copies of the plans and specifications for buildings and structures to the appropriate City officials, and shall consult with them with respect thereto, and shall receive their comments and suggestions thereon.

22. Additional Lands and Interests Therein

The Port Authority shall immediately upon acquisition of any lands and improvements thereon or rights, easements or interests therein for use in extension of the municipal air terminals, or for use in maintaining airplane beacons, guides or other aids to avigation, convey the same to the City without consideration, and such property shall become part of the demised premises.

23. Condemnation or Acquisition by Others

In the event the demised premises or any part thereof, or the right and interest of the Port Authority hereunder in or to the demised premises or any part thereof shall be condemned, taken, or acquired by a body having superior power of eminent domain, then the compensation or award therefor shall be payable in accordance with the following provisions:

I. Out of said compensation or award there shall be paid to the Port Authority an amount equal to the sum of the following:

A. The amount required to redeem the Port Authority bonds, issued for municipal air terminal purposes and outstanding at the time title vests in the condemning power at the earliest dates after such decree or judgment when they

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may be called for redemption, or, if any such bonds are not subject to call, then the amount required to redeem them at their maturity; less the following three items:

(1) The assets of any sinking fund established for the redemption of sinking fund bonds issued for municipal air terminal purposes including interest thereon; and

(2) The proceeds remaining unexpended from the sale of any and all bonds issued for municipal air terminal purposes;

(3) Any cash set aside for redemption of bonds issued for municipal air terminal purposes.

B. The interest on such bonds from the last interest payment date prior to the vesting of title in the condemning power up to the date of such call or maturity, and

C. The call premium, if any; and

D. Any unamortized Port Authority funds other than bond proceeds or federal or state grants, expended for capital improvements at the municipal air terminals.

II. The balance, if any, of such compensation or award shall be paid to the City.

The amount paid to the Port Authority as provided for in this article shall, together with any funds remaining unexpended for municipal air terminal purposes from the proceeds of such bonds, be set aside in a special fund. If, after the payment or redemption of all of said bonds with interest and after the deduction of unamortized Port Authority funds as aforesaid, there shall remain any balance in said special fund, including income and appreciation thereon, the Port Authority shall pay such balance to the City. The Port Authority shall not be liable to the City for any loss to said special fund by reason of the investment thereof provided that said funds are invested in bonds of the United States, the State of New York, the State of New Jersey, the City of New York or bonds issued by the Port Authority for municipal air terminal purposes.

If the whole of said demised premises or the right and interest of the Port Authority in or to the same shall be condemned, taken or acquired, as aforesaid, then no further rental shall be payable hereunder. If only a part of the said de-

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mised premises or of the right and interest of the Port Authority in or to the same shall be so condemned, taken or acquired, and the part so condemned, taken or acquired is so substantial as to make it impractical to proceed with the operation of the demised premises for air terminal purposes, then, and in such event, no further rental shall be payable hereunder; provided however that possession of the demised premises remaining shall be promptly surrendered to the City as if the term hereof shall have come to an end. If, however, only a part of said demised premises or of the right and interest of the Port Authority in or to the same shall be so condemned, taken or acquired, and the part remaining is sufficient to conduct the operation thereof for air terminal purposes, then, and in such event, the obligations of the Port Authority under the provisions of this agreement relating to rent as well as under the several other articles of this agreement, shall continue and remain unaffected by such condemnation, taking or acquisition. The minimum rental, however, shall thereafter be apportioned, but such apportionment, in any event, shall be made only with respect to any subsequent year or years during which no more than the minimum rental shall be due the City under this agreement.

24. Approach Zones, Transition Zones and Turning Zones

During the term for which the demised premises are leased, the City shall not erect or permit the erection of any obstructions or hazards to avigation upon or above City streets or other property belonging to the City which will project into the approach zones, transition zones or turning zones of any now existing or future runways at the municipal air terminals as such runways may then exist. If it becomes necessary or desirable to remove in whole or in part any such obstructions or hazards now existing upon City-owned property and projecting into the approach zones, transition zones or turning zones of such runways as they now exist (or to remove in whole or in part any such obstructions or hazards existing on such City-owned property or projecting into the approach zones, transition zones or turning zones of any future runway or any extension of any existing runway) it shall be done only with the consent of the City and at the cost of the Port Authority.

25. Area "A" Adjacent to LaGuardia Airport

The Port Authority intends to acquire and convey to the City either title to or the right to use and occupy the property within the area marked "Area A" upon Map No. I, at the sole expense of the Port Authority, and to use and occupy the same as an extension of and in connection with LaGuardia Airport, and such property, when acquired and conveyed to the City, shall be deemed part of the demised

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premises. If the City now owns any of the real estate within said area the same shall be and shall be deemed to be part of the demised premises. All property referred to in this section shall be subject to all the terms and conditions of this agreement, as though the same were shown in green upon said Map I.

The City hereby consents to the reduction of the first year's rent to be paid to it hereunder by the Port Authority of the sum of $43,750., representing the amount due for taxes and interest on property to be acquired as aforesaid in Area "A".

26. City Streets Within Demised Premises

The City agrees to close such streets within the demised premises as may be requested by the Port Authority and in the event of such closing the Port Authority does remise, release and forever discharge the City and its successors of and from any and all claim or claims and cause or causes of action which the Port Authority may hereafter have or which it or its successors may have against the City by reason of the closing and discontinuance of any such streets.

The Port Authority further agrees that in the event of the closing of any of the streets within the area marked Area "A" on Map I, to save the City harmless from any and all claims of any other parties for damage by reason of the closing and discontinuance of any such streets.

27. Van Wyck Expressway

The City agrees to use its best efforts to advance the completion, on or before October 1, 1948, of Van Wyck expressway from Queens Boulevard to Idlewild Airport, including the connections with Southern Parkway, without cost to the Port Authority, and to permit free access between said Expressway and Idlewild Airport. The Port Authority hereby consents to the reduction of the demised premises to the extent of all or any part of the area shown on Map II and marked 'C' for the construction of the traffic interchange between Van Wyck Expressway and Southern Parkway, without reduction in rent.

28. City Construction Contracts

The City shall not hereafter enter into any contracts for the performance of any engineering, design or construction work for the purchase of materials and equipment, or for the making of any improvements or physical changes at, in or in connection with the demised premises. On or before June 5, 1947, the City Comptroller

shall furnish to the Port Authority a list of all uncompleted contracts for the performance of any engineering, design or construction work or for the purchase of material and equipment entered into by the City and registered with him, prior to June 1, 1947, together with copies thereof. The City shall complete or cause to be completed at its own expense as promptly as reasonably practicable all such work to be performed under such contracts heretofore entered into by the City and heretofore registered with the City Comptroller, provided that the City shall promptly cancel and terminate, at its own expense, any such contract or contracts the cancellation of which is requested by the Port Authority not later than September 1, 1947. The City shall not, without the consent of the Port Authority, change or modify any such contract or the work to be performed thereunder or the requirements relating thereto. If so requested by the Port Authority, however (and subject to the consent of the contractor, if such consent be necessary), the City shall modify any such contract or contracts or the work to be performed thereunder or the requirements relating thereto, and if such modification shall result in additional cost to the City, the Port Authority shall pay the City therefor.

The City shall require all contractors performing work under said contracts, and all their subcontractors, agents, employees and representatives, to work in cooperation with the Port Authority, its contractors, subcontractors, agents, employees and representatives.

The Port Authority assumes the cost of the contracts theretofore entered into by the City and shown on the annexed Schedule H, pursuant to the authorization contained in Line No. 182 (D16S), Line No. 185 (Project No. D2) and Line No. 193 (Project No. D203), of the 1947 New York City Capital Budget, provided that in no event shall such cost so assumed by the Port Authority be greater than $3,500,000. In the event any part of said sum has already been paid by the City, then the Port Authority agrees to reimburse the City for all such payments. It is understood that the City will cancel and terminate any of such contracts if so requested to do by the Port Authority, but in such event the Port Authority shall be responsible for any claims made against the City by reason of such cancellation and agrees to reimburse the City therefor.

The City agrees to make available to the Port Authority all contracts and other data in connection with the construction of any of the municipal air terminals.

29. FLOYD BENNETT FIELD

The City and the Port Authority covenant and agree to apply to the Federal Government for a consent to the use of Floyd Bennett Field by the Port Authority

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under the existing permit to the City or upon similar terms, and for a deed or a lease in the name of the City for Floyd Bennett Field. The terms of any purchase agreement or lease for Floyd Bennett Field and the decision whether to proceed with such purchase or lease shall require the approval of both the City and the Port Authority. The Port Authority agrees to pay the purchase price for a deed or the rent under a lease.

The Port Authority agrees to spend $1,500,000, which sum includes the amounts due or to be due under the contracts set forth in Schedule H, and which sum is part of the $100,000,000 to which reference is made in Section 9 hereof, to rehabilitate, improve, and develop such Field, such improvements to begin promptly upon the obtaining of the aforesaid consent from the Federal Government for the use of Floyd Bennett Field by the Port Authority. In the event of the purchase of Floyd Bennett Field, or in the event of a lease, then the Port Authority shall expend such additional sum or sums as may be necessary for the rehabilitation, expansion, and development of Floyd Bennett Field as a modern municipal air terminal.

Upon the obtaining of the aforesaid consent, and for any and all renewals thereof, the Port Authority agrees to operate Floyd Bennett Field as an airport in accordance therewith. The operation of Floyd Bennett Field by the Port Authority shall not continue beyond the term of this agreement. If, for any reason, the occupancy by the Port Authority of Floyd Bennett Field is prevented, interrupted or terminated, such circumstance shall not result in any diminution of the rent assumed hereunder by the Port Authority and payable to the City.

The Port Authority will supply to the City at Floyd Bennett Field, so long as such air terminal is operated by the Port Authority, free hangar space for the accommodation of up to three City-owned Police Department aircraft of substantially the same size as those presently used by the Police Department. The Port Authority further agrees that no fees for the landing and taking off of such Police Department aircraft shall be charged against the City.

30. TRANSFER OF CIVIL SERVICE EMPLOYEES

The Port Authority agrees to employ all civil service employees now employed by the City directly or indirectly in connection with the municipal air terminals, being the employees listed on Schedule I annexed hereto, at rates of pay not less than they now receive from the City, provided such employees desire to accept such employment, and provided further that they shall be subject to any and all rules, regulations, and employment policies of the Port Authority now or hereafter adopted with respect to matters affecting personnel and employment.

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31. INSPECTION

The City through its properly designated officials and employees in the performance of their official duties shall at all times have the right of free access to all portions of the demised premises.

32. COVENANT OF QUIET ENJOYMENT

The City agrees that the Port Authority on paying the rent herein reserved promptly when due and on performing all of the other terms, covenants and conditions set forth in this agreement promptly as required, shall and may peaceably and quietly have, hold and enjoy the demised premises for the term hereinbefore specified unless such term shall cease, close or expire sooner.

33. RIGHTS AND REMEDIES

The Port Authority agrees that the City shall have all the rights and remedies for which provision is now made by law or which may hereafter be made by law to the extent set forth in Schedule D, regardless of when such legislation may be enacted.

34. CLOSING OF SERVICE ROAD

The City shall take steps to close and discontinue the portion of the service road of Grand Central Parkway shown in yellow on Map I. When said portion of the service road of Grand Central Parkway is closed and discontinued, the same shall become part of the demised premises.

35. SECTION HEADINGS

The section headings are for reference purposes only and shall not be deemed descriptive of the sections.

36. NOTICE

All notices required to be sent by either party to the other shall be in writing and shall be forwarded by registered mail, addressed as follows:

To the Port Authority.

Executive Director of the Port Authority
(or his successor in duties)
111 Eighth Avenue,
New York City.

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To the City.

Comptroller of the City of New York,
Municipal Building,
New York City.

All communications shall be forwarded to the above addresses until notice in writing of change of address is forwarded by either party to the other by registered mail.

37. MISCELLANEOUS

Except as herein otherwise provided, the Port Authority shall have full power and discretion to proceed with the financing, rehabilitation, expansion, improvement, development, operation and maintenance of the municipal air terminals, and to enter into such contracts, agreements, subleases or other arrangements with respect thereto as it may deem necessary and desirable, and all matters connected therewith, including but not limited to, all details of financing, construction, leasing, charges, rates, tolls, contracts, and operation shall be within the sole discretion of the Port Authority; and the decisions of the Port Authority in connection with any and all matters concerning the municipal air terminals shall be controlling, provided that all such things shall be done by the Port Authority in its own name and on its own credit.

38. CHARGES AGAINST OPERATIONS

Where under or pursuant to or because of this Agreement the Port Authority has agreed to do any act or thing at its own cost or expense or without cost to the City or to assume any liability or to make any payment, such provision shall not be construed to prevent the Port Authority from charging such expenditures against operating revenues, in the event that they are expenses directly attributable to the operation and maintenance of the municipal air terminals within the meaning of "Net Operating Revenue" as defined in Section 1 hereof, or from charging them against the proceeds of bonds issued for municipal air terminal purposes in the event that they are proper capital charges for municipal air terminal purposes. Nothing herein contained shall, however, be construed to permit the Port Authority to charge any sum paid to the City by the Port Authority for damages (other than rent) to operating expenses, and the same shall be paid from the Port Authority's share of any net revenue or other Port Authority funds.

39. Interest on Refunding of Bonds

The Port Authority shall not issue any bonds to refund bonds issued for municipal air terminal purposes at a date earlier than the maturity date of the bonds to be refunded, unless the refunding bonds bear a coupon or stated interest rate equal to or less than (but not greater than) the rate borne by the bonds to be refunded, but this shall not apply to the funding or refunding of short term notes. As used in this section "short term notes" means notes maturing one year or less from the date of their issue.

40. Arbitration Re: Accounting

If at any time hereafter any dispute, difference or question shall arise between the parties with respect to any accounting question involved in the determination of the amount due to the City as rent over and above the minimums provided for in Section 4 hereof, or involved in the determination of the amounts due to the City pursuant to Sections 15 and 23 hereof, or any other accounting questions arising under this contract, then every such dispute, difference or question shall be submitted for arbitration to three (3) certified public accountants to be appointed by the Executive Committee of the American Institute of Accountants within 15 days after written notice served by either party to this contract upon the other by mail demanding that such dispute, difference or question be so submitted for arbitration.

In the event that the Executive Committee of the American Institute of Accountants fails or refuses to appoint such arbitrators within thirty days after the mailing by either party to this contract of a written request for such appointment, then such dispute, difference or question shall be submitted for arbitration to three (3) certified public accountants to be appointed by the American Arbitration Association within 15 days after written notice served by either party to this contract upon the other by mail demanding that such dispute, difference or question be so submitted for arbitration. The award, ruling or determination which shall be made by a majority of said arbitrators shall be final and binding upon the parties hereto and the parties hereto agree to comply with such award or determination provided the award or determination shall be made in writing within 45 days next after the submission to them of the dispute, difference or question, or on or before any later date to which the said arbitrators, by any writing signed by them, shall enlarge the time for making their award. If it is determined that the Port Authority or the City of New York is prohibited by law from agreeing to submit to arbitration or to be a party to an agreement providing for arbitration, then the provisions of this contract

relating to arbitration shall be null and void but shall not affect the other provisions of this contract, which shall, nevertheless, remain in full force and effect.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Chairman, the day and year first above written.

Attest:

MURRAY W. STAND (sgd.)
City Clerk

(Seal)

THE CITY OF NEW YORK

WILLIAM O'DWYER (sgd.)
Mayor

Attest:

JOSEPH G. CARTY (sgd.)
Secretary

(Seal)

THE PORT OF NEW YORK AUTHORITY

HOWARD S. CULLMAN (sgd.)
Chairman

Approved as to form

CHARLES E. MURPHY (sgd.)
Corporation Counsel

S.W.A.
W.B.R.
C.F.P.

Approved as to form
S.G.

LEANDER I. SHELLEY (sgd.)
General Counsel

STATE OF NEW YORK
COUNTY OF NEW YORK } ss.:
CITY OF NEW YORK

On this 17th day of April, 1947, before me personally came MURRAY W. STAND, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn, did depose and say that he resides at (Ex. 1) Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation (the corporation described in and which executed the foregoing instrument); that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with WILLIAM O'DWYER, and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him, the said MURRAY W. STAND, that he executed and delivered the same, and he, the said MURRAY W. STAND, thereupon subscribed his name thereto.

ARTHUR D. WALKER (sgd.)
Notary Public

(Seal)

ARTHUR D. WALKER
Qus. Co. 2637, N. Y. Co. 736
Term expires March 30, 1948

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STATE OF NEW YORK
COUNTY OF NEW YORK } ss.:
CITY OF NEW YORK

On this 17th day of April, 1947, before me personally came and appeared HOWARD S. CULLMAN, to me known, who, being by me duly sworn, did depose and say that he resides at (Ex. 1) Borough of Manhattan, City of New York; that he is the chairman of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY, and that he signed his name thereto by like order.

ARTHUR D. WALKER (sgd.)
Notary Public

ARTHUR D. WALKER
(Seal) Qus. Co. 2637, N. Y. Co. 736
Term expires March 30, 1948

SCHEDULE A

(1) A parcel (approx. 2.69 acres) located at the intersection of the east line of 120th Street with the southerly line of 29th Avenue, Borough of Queens.

(2) A parcel consisting of five plots, each 200 feet square, on Rikers Island surrendered by the Department of Correction and assigned by the Board of Estimate to the Department of Marine and Aviation on April 20, 1939 (Board of Estimate Calendar of that date, No. 126).

(3) A parcel (approx. 13.25 acres) at Havemeyer, Zerega, Randall and Seward Avenues, Borough of the Bronx.

(4) A parcel on the west side of Cross Bay Boulevard at the intersection of the Boulevard with the prolongation of Runway C of Idlewild Terminal, Borough of Queens, and about two miles from the Terminal.

(5) A parcel (103,625 sq. ft.) at Avenue U and Stuart Street, Borough of Queens.

(6) The pier appurtenant to Idlewild Airport extending beyond the bulkhead line into Jamaica Bay.

(7) Premises leased by lease L-167 (10/8/40) to American Airlines for transmission tower.

(8) Premises leased by lease L-140 (11/10/39) to TWA for transmission tower.

(9) Premises covered by Permit No. P-320 (5/1/46) to National Airlines for transmission tower.

(10) Premises covered by Permit No. P-686 (7/1/46) to C.A.A. for radio range.

SCHEDULE B

PERMITS IN EFFECT AT NEW YORK CITY MUNICIPAL AIRPORTS

No.	Date	Permittee	Purpose	Expires
		LaGuardia Airport		
P-51	5-1-46	Air Express International Agency, Ltd.	Operate as Custom Broker	4-30-47
P-53	"	American Airlines	Storage Shelter Hangar #1—88 sq. ft.	4-30-47
P-54	"	"	Storage space east of service building	4-30-47
P-55	"	"	Loading Deck Booth #5 bet. Column 48-50, 214 sq. ft.	4-30-47
P-56	"	"	Loading Deck Booths	4-30-47
P-57	"	"	Loading Deck Booth #4, Area bet. Column 25 and 50, 1545 sq. ft.	4-30-47
P-58	"	"	Loading Deck Booth #3 bet. Column 18 and 23, 535 sq. ft.	4-30-47
P-59	"	"	Loading Deck Booth #2 bet. Column 11-13, 222 sq. ft.	4-30-47
P-61	"	"	Fingers—Loading Gates ¼—Space 2275 sq. ft.	4-30-47
P-62	"	"	Use Room #1/20 Landplane Building	4-30-47
P-63	"	"	Space Lower Rotunda, 691 sq. ft., Landplane Building	4-30-47
P-66	"	"	Space—Loading Platforms between Columns 41-43, 185 sq. ft.	4-30-47
P-67	"	"	Space—Loading Platforms between Columns 44-46, 253 sq. ft.	4-30-47

No.	*Date*	*Permittee*	*Purpose*	*Expire*
P-68	5-1-46	American Airlines	Space—Loading Platforms between Columns 15-16	4-30-4
P-80	5-1-46	American Overseas Airlines	Space adjoining Hangar #2—260,400 sq. ft.	4-30-4
P-81	"	"	Seaplane Hangar #2, erect 2nd story on lean to	4-30-4
P-82	"	"	Seaplane Hangar—erect new platform	4-30-4
P-83	"	"	Space at Information Counter Marine Terminal	4-30-4
P-84	"	"	Space along bulkhead, 3577 sq. ft. at Marine Terminal Repair Shop	4-30-4
P-85	"	"	Non-combustible Storehouse—456 sq. ft.	4-30-4
P-86	"	"	Space for shed for refuse at Seaplane Hangar #2, 61.32 sq. ft.	4-30-4
P-87	"	"	Use space located within enclosed areas—2221 sq. ft.	4-30-4
P-93	5-1-46	Rudy Arnold	Space (35 sq. ft.) Ground floor Landplane Administration Bldg.	4-30-4
P-113	5-1-46	Otto Braren	Sell box lunches, sandwiches, etc.	4-30-4
P-129	5-1-46	Colonial Airlines, Inc.	Space at Loading Gate #15—1800 sq. ft.	4-30-4
P-130	"	"	Space under observation platform east of permittee's present quarters	4-30-4
P-131	"	"	Space (3,000 sq. ft.) S. E. cor. of field for motor cases, oil drums, etc.	4-30-4
P-187	5-1-46	D'Andrea Bros.	Space for shop west of circular staircase, Administration Building	4-30-4
P-202	5-1-46	Geo. F. Doherty Co.	Custom Broker, Marine Terminal	4-30-4

No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-205	5-1-46	Eastern Airlines, Inc.	Space loading Deck—Booths 12 and 14A—121.16 sq. ft.	4-30-47
P-206	"	"	Space—200 sq. ft. located between Column 129-131	4-30-47
P-212	5-1-46	Empire Airlines, Inc.	Conduct scheduled Air Transportation	4-30-47
P-213	"	"	Space in Landplane Administration Bldg.—232 sq. ft.—in 3rd floor	4-30-47
P-214	"	"	One gasoline Storage Cell at N. W. Corner of Inner Bank of Gas Storage Cells—Marine Terminal Area	4-30-47
P-215	"	"	Space in telephone corridor—1st floor Administration Building	4-30-47
P-230	5-1-46	General Service Coinlock Co.	Maintain Coin Lock in pay toilets in Landplane Administration Building	4-30-47
P-231	"	"	Maintain Coin Locks in pay toilets in Marine Terminal Building	4-30-47
P-298	5-1-46	Massce-Barnett Co., Inc.	Custom Brokers Service	4-30-47
P-299	"	"	Space at entrance to rotunda of Marine Terminal Building	4-30-47
P-323	5-1-46	New York Airport Terminals Inc.	Space for booth adjoining gate #5—105 sq. ft.	4-30-47
P-324	"	"	Space for Booth at east end of Gate #10—Administration Bldg.	4-30-47
P-325	"	"	Space in Building (353 sq. ft.) for Manager's Office including corridor ground floor Landplane Admin. Building	4-30-47
P-326	"	"	Space in West Side Main corridor ground Floor Administration Bldg. —used as Porters' Check Room.	4-30-47

No.	Date	Permittee	Purpose	Expires
P-327	5-1-46	New York Airport Terminals Inc.	Occupy Room B-35 (Porters' Room) Landplane Administration Building —286 sq. ft	4-30-47
P-329	"	"	Space for Air Express—2471 sq. ft. in Landplane Administration Building	4-30-47
P-330	"	"	Space for Post Office—4,198 sq. ft. Landplane Administration Bldg.	4-30-47
P-340	"	New York Hotel Corp.	Additional locker room space—619 sq. ft. Ground floor, Administration Bldg.	4-30-47
P-341	"	"	Extend Counter, a total of 32'-2" space now occupied	4-30-47
P-342	"	"	Space for Manager's office—872 sq. ft. Landplane Building	4-30-47
P-343	"	"	Space (100 sq. ft.) on the East Wing on Ground Floor of Admin. Bldg. for Locker Room	4-30-47
P-362	5-1-46	William Paccione	Use of closet on 4 floor of Land Administration Building	4-30-47
P-364	5-1-46	Pan American Airways Inc.	Space—3rd floor Landplane Administration Building to be used by U. S. Immigration and Public Health Service	4-30-47
P-365	"	"	Seaplane Hangar A—space for construction of a second floor—1199 sq. ft.	4-30-47
P-366	"	"	Space, Information counter in Marine Terminal Building	4-30-47
P-367	"	"	Temporary one story frame building east of Seaplane Ramp	4-30-47

No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-368	5-1-46	Pan American Airways Inc.	Enclosed area for protection of premises—23.268 sq. ft.	4-30-47
P-369	"	"	Space for construction of 2 temporary coal bins—4,346 sq. ft.	4-30-47
P-370	"	"	Maintain one story building west of addition to Hangar A—6,023 sq. ft.	4-30-47
P-371	"	"	Space south of Hangar A—Marine Terminal to maintain 4 movable nose hangars—5,313 sq. ft.	4-30-47
P-372	"	"	Space at Marine Terminal for storage purposes—25,412 sq. ft.	4-30-47
P-390	5-1-46	Railway Express Agency	Space Main Floor Administration Bldg.	4-30-47
P-412	5-1-46	Shell Oil Company	Exclusive right to sell aviation gasoline, oils and grease at LaGuardia Fld.	4-30-47
P-413	"	"	Space in vicinity of Gate #8 bet. columns 79 and 81, 218 sq. ft.	4-30-47
P-414	"	"	Space for office in vicinity of Gate #8 —88 sq. ft.	4-30-47
P-438	5-1-46	Trans-Canada Airlines	Conduct Scheduled Flights	4-30-47
P-441	5-1-46	Transcontinental & Western Air, Inc.	Booths 9-10—Loading Deck—1653 sq. ft.	4-30-47
P-442	"	"	Space on 3rd floor of Marine Terminal Building—940 sq. ft.	4-30-47
P-443	"	"	Space Ground Floor Administration Building—729 sq. ft.	4-30-47
P-444	"	"	Space along southerly wall of Marine Terminal—75 feet	4-30-47

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No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-445	5-1-46	Transcontinental & Western Air, Inc.	Space along southerly wall of Rotunda Marine Terminal Building—48 sq. ft.	4-30-47
P-446	"	"	Space along southerly wall of Rotunda of Marine Terminal Bldg.—95 sq. ft.	4-30-47
P-447	"	"	¼ space in N. W. quarter of circular Information counter Marine Terminal Bldg.	4-30-47
P-448	"	"	Space northwest corner of circular counter Marine Terminal Bldg.	4-30-47
P-452	5-1-46	United Airlines, Inc.	Space—Mezzanine floor in Hanger #2 260 sq. ft.	4-30-47
P-455	"	"	Space for Gate House—Loading Gates 7 & 8, 1215.61 sq. ft.	4-30-47
P-456	"	"	Space—Garbage Bin Hanger #2—101.25 sq. ft.	4-30-47
P-470	5-1-46	Anthony Vigilis	Sell box lunches	4-30-47
P-484	5-1-46	The Tower Optical Co.	Install & maintain 8 coil Optical Binocular machines on Observation Platform	4-30-47
P-494	7-1-46	U. S. Civil Aeronautics Administration	Space for one story structure used by American Overseas Airline, Inc.	6-30-47
P-504	5-21-46	Transcontinental & Western Air, Inc.	5 additional gasoline bulk storage cells	4-30-47
P-505	5-21-46	American Airlines, Inc.	Use four additional gasoline bulk storage	4-30-47
P-506	5-1-46	Empire Airlines, Inc.	Conduct Scheduled Flights	4-30-47
P-569	5-22-46	American Airlines, Inc.	Space between columns 57 & 60 Loading Platform—use 316 sq. ft.	4-30-47
P-590	5-1-46	New York Airport Terminals, Inc.	Space, Landplane Adm. Bldg. First floor—116 sq. ft.	4-30-47

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No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-591	5-1-46	Western Union Telegraph Co.	Space—Landplane Adm. Bldg. First Floor, 115 sq. ft.	4-30-47
P-660	"	Trans-Canada Airlines	Space to provide passenger facilities at Gate #1 West end of Landing Deck	4-30-47
P-664	6-1-46	"	Room on first floor of Landplane Administration Bldg., 440 sq. ft.	4-30-47
P-668	7-1-46	Air France	Conduct Scheduled Flights	6-30-47
P-670	7-1-46	U. S. Dept. of Commerce Weather Bureau	Space for Weather Bureau & charge for service	4-30-47
P-671	8-1-46	Mrs. Dorothy Marvin Kessler	Space for Beauty Salon lower rotunda, Admin. Bldg.	4-30-47
P-672	7-13-46	Pan American Airways	Space for Parking purposes—67,000 sq. ft.	4-30-47
P-673	6-11-46	American Overseas Airlines	Use space within protective area, 1327.4 sq. ft.	4-30-47
P-675	6-1-46	Northwest Airlines	Space located east of Hangar #8—storage of oil drums—200 sq. ft.	4-30-47
P-682	3-20-46	"	Sublease from United of space on 2nd floor, north side of building between Hangars 2 and 4	3-19-47
P-683	8-6-46	American Express Co.	Space on east side of Rotunda—Marine Terminal Building—80 sq. ft.	4-30-47
P-690	5-1-46	Northeast Airlines, Inc.	Conduct scheduled flights	4-30-47
P-691	"	"	Use of Gasoline Cell in Bulk Storage Area	4-30-47
P-692	"	"	Counter space; Rotunda Landplane Building	4-30-47
P-693	"	"	Space 3rd floor Landplane Administration Building—636 sq. ft.	4-30-47

No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-694	5-1-46	Northeast Airlines, Inc.	Space main floor Admin. Bldg., 293 sq. ft.	4-30-47
P-695	"	"	Use of Field	4-30-47
P-696	"	"	Space-Booth #11 along Loading Platform—502 sq. ft.	4-30-47
P-697	5-1-46	Northwest Airlines, Inc.	Conduct scheduled flights	4-30-47
P-698	"	"	Counter space—18 feet Landplane Administration Building	4-30-47
P-699	"	"	One Gasoline Storage Cell Bulk Storage Area Marine Terminal Area	4-30-47
P-700	"	"	Space on 3rd floor Administration Building—801 sq. ft.	
P-701	"	"	Space Main Floor—Landplane Administration Bldg.—330 sq. ft.	4-30-47
P-702	"	"	Use of Field	4-30-47
P-703	"	"	Space—Loading Platform Cols. 51-56—515 sq. ft.	4-30-47
P-704	"	National Airlines, Inc.	Use of Gasoline Cell in Bulk Storage Area—Marine Terminal	4-30-47
P-705	"	"	Conduct Schedule Flights	4-30-47
P-706	"	"	Use of Private Plane Hangar	4-30-47
P-707	"	"	Use—18 ft.—Counter space—Landplane Bldg. along Circular Rotunda	4-30-47
P-708	"	"	Use of Field	4-30-47
P-709	"	"	Use—686 sq. ft. of floor space—3rd floor of Administration Building	4-30-47
P-710	"	"	Space—Loading Platform bet. Cols. 102-105—628.5 sq. ft.	4-30-47
P-712	"	"	Space on Third Floor Landplane Administration Building—703 sq. ft.	4-30-47

No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-713	5-1-46	National Airlines, Inc.	Space on Main Floor Landplane Administration Bldg.—193 sq. ft.	4-30-47
P-714	"	"	Use of Field	4-30-47
P-715	5-1-46	Pennsylvania Central Airlines	Counter space—Landplane Administration Bldg.—18 feet.	4-30-47
P-716	"	"	One Cell—Gasoline Bulk Storage Area	4-30-47
P-717	"	"	Conduct Scheduled Air Transportation	4-30-47
P-718	"	"	Space at Gate #6—Loading Platform —532 sq. ft.	4-30-47
P-722	6-15-46	James K. Dobbs, Inc.	Operate food service to passengers National Airline exclusively	4-30-47
P-740	3-19-46	Cartier, Inc.	Display case—16 sq. ft. at Circular Staircase, Administration Building	3-18-47
P-1312	4-1-47	Eastern Airlines, Inc.	Space—938 sq. ft. for loading booths —platform columns 115-124	3-31-48
P-1313	4-1-47	Transcontinental & Western Air, Inc.	Space for maintenance of Garbage Bin—Hangar #6—106 sq. ft.	3-31-48
P-767	8-1-46	Sky Chefs, Inc.	Furnish food service to Northwest Airlines, Inc. exclusively	4-30-47
P-790	8-1-46	Frank Giordano	Shoeshine stand—Land. Adm. Bldg.	4-30-47
P-857	9-16-46	Northeast Airlines	Space—East of Hangar No. 8—Storing oil drums—160 sq. ft.	4-30-47
P-861	4-26-46	Pan American Airways, Inc.	Space—West of Seaplane Hangar No. 1—38,019 sq. ft.—Parking Aircraft	4-25-47
P-923	5-1-46	Air Clearance Associates, Inc.	260 square feet Marine Terminal Building	4-30-47
P-938	5-1-46	Pan American Airways, Inc.	Space for Customs & Immigration—Marine Term. Bldg.—5,010 sq. ft.	4-30-47

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P-1305 Allied Maintenance Co.—Date of occupation to April 30, 1947. 50¢ per sq. ft. for approx. 260 sq. ft. per annum. Enclose openings to provide storage for cleaning materials in Passenger Arcade of Marine Terminal Bldg.

P-935 Air Clearance Associates, Inc.—May 1, 1946 to April 30, 1947. 10% of gross receipts, payable on or before 15th of each month following the last day of the month to which the return relates. To conduct a customs broker service for the clearance of International shipments of air express—Marine Terminal.

P-1067 Air Express International Agency, Inc.—Nov. 24, 1946 to April 30, 1947. $256. per annum. Use and occupation of 128 sq. ft. of space located on second floor landing of the International Air Terminal Bldg.

P-1065 Air France—Nov. 25, 1946 to April 30, 1947. $1200. per annum. Use and occupation of one ticket counter located in the rotunda, west side of International Air Terminal Bldg.

P-1012 Air France—July 1, 1946 to June 30, 1947. Use of runways, aprons, taxi strips and other facilities, used in common by those so authorized, for purposes of landing and taking off aircraft used by permittee in scheduled transportation and other flights related and incidental thereto.

P-1288 Air France—May 1, 1947 to April 30, 1948. $600 per annum. Occupation of one-half of the northwest section of the circular information counter located in the main corridor of the International Air Terminal.

P-1371 American Airlines, Inc.—March 25, 1947 to March 24, 1948. Use and occupation of 153 sq. ft. of space located on the ground floor, west wing of the Land. Terminal Bldg.

P-1221 American Airlines, Inc.—Dec. 1, 1946 to April 30, 1947. Use and occupation of 1366 sq. ft. of space on first floor, Land. Administration Bldg.

P-1222 American Airlines, Inc.—Dec. 1, 1946 to April 30, 1947. Use and occ. of 450 sq. ft. of space, second floor of Landplane Administration Bldg.

P-1219 American Overseas Airlines, Inc.—Sept. 23, 1946 to April 30, 1947. Use and occ. of 828 sq. ft. located in one-story masonry building, known as "Line Maintenance Building".

P-1298 American Overseas Airlines, Inc.—Nov. 7, 1946 to April 30, 1947. Occupation of two covered passenger walkways containing an area of 8865 sq. ft. located east of the International Air Terminal.

P-1199 American Overseas Airlines—Sept. 23, 1946 to April 30, 1947. Use and occ. of temporary one-story masonry addition to northwest section of International Terminal Building.

P-1306 Cartier, Inc.—March 19, 1947 to March 18, 1948. Occupation of approx. 16 sq. ft. of space for the maintenance of the City-owned display and sales case, located at the main rotunda entrance to the circular staircase bet. the present newsstand and the flower stand, in the Landplane Administration Bldg.

P-1312 Eastern Airlines, Inc.—April 1, 1947 to March 31, 1948. Use and occ. of 938 sq. ft. of space for Loading Booths, located along the platform bet. Columns 115 and 124, incl.

P-942 Empire Airlines, Inc.—Aug. 19, 1946 to April 30, 1947. Use and occupy a temporary maintenance shop (Hangar) located at southwesterly end of LaGuardia Field, containing an area of 4444 sq. ft.

P-1210 Empire Airlines, Inc.—Feb. 1, 1947 to Jan. 31, 1948. Sublet to K. L. M. (Royal Dutch Airlines), the hangar and work shop built by Empire Airlines.

P-1196 Linea Aeropostal Venezolana—Jan. 15 to April 30, 1947. Use and occupation of 96 sq. ft. of space located on second floor landing in the International Air Terminal Bldg.

P-1005 Linea Aeropostal Venezolana—Nov. 15, 1946 to opening of Floyd Bennett Field. To conduct scheduled air transportation.

P-1006 Linea Aeropostal Venezolana—Nov. 15, 1946 to opening of Floyd Bennett Field. Use of runways, aprons, taxi strips and other facilities.

P-1007 Linea Aeropostal Venezolana—Nov. 15, 1946 to opening of Floyd Bennett Field. Use and occ. of a location for one gasoline storage cell at northwest corner of gasoline storage cells in International Air Terminal area.

P-1287 Linea Aeropostal Venezolana—May 1, 1947 to April 30, 1948. Occupation of one-half of the northwest section of the circular information counter located in the main corridor of the International Air Terminal Bldg.

P-1075 Manufacturers Trust Co.—Dec. 10, 1946 to June 30, 1947. Use and occupation of 738 sq. ft. of floor space located on the first floor of the Administration Building at LaGuardia Field.

P-1282 Northwest Airlines, Inc.—March 12, 1947 to April 30, 1947. Use and occupation of 1500 sq. ft. of space located on the mezzanine floor of building between Hangars 4 and 6 at LaGuardia Field.

P-930 Pan American Airways System—Aug. 5 to Aug. 23, 1946. Use and occ. of 23,750 sq. ft. of space located east of Hangar 8 at LaGuardia Field, for the purpose of parking Constellation aircraft.

P-1218 Pan American Airways, Inc.—Sept. 23, 1946 to April 30, 1947. Use and occ. of 1105 sq. ft. of space located in the one-story masonry structure known as "Line Maintenance Bldg." on the apron at the International Air Terminal.

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P-1290 Pan American Airways, Inc.—May 1, 1946 to April 30, 1947. Use and occ. of a fram bldg. 173.5 sq. ft. in dimensions, located east of International Air Terminal being use at present by British Overseas Airlines Corp. to shelter Line maintenance crews an equipment.

P-936 Pennsylvania Central Airlines—May 1, 1946 to April 30, 1947. Use and occ. of the prem ises, incl. building on Riker's Island, N. Y. as shown on blueprint W.P.A. Dwg. 4E3.

P-1209 Tampa-New Orleans-Tampico Airlines, Inc.—July 4, 1946 to April 30, 1947. To maintai passenger loading float and boat float, both floats being attached to and north of the Cit bulkhead, International Air Terminal, in connection with carrying on seaplane and cras boat operations.

IDLEWILD AIRPORT

P-1201	Les Mortimer	Sell meals to workmen on construction job	12/31/-
P-1078	Manufacturers Trust Co.	Temporary Banking service	6/30/-

FLOYD BENNETT FIELD

None

No.	*Date*	*Permittee*	*Purpose*	*Expir*
			OTHER	
P-52	5-1-46	American Airlines, Inc.	Occupy space for Receiving Station, Rikers Island	4-30-
P-64	"	"	Control Tower—Permission to bridge cables to Central Tower, Rikers Island	4-30-
P-207	"	Eastern Airlines, Inc.	Install Remote Receiver and Antenna System in building on Rikers Island	4-30-
P-320	5-1-46	National Airlines	Transmission Tower, Cross Bay Blvd., Queens	4-30-

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No.	*Date*	*Permittee*	*Purpose*	*Expires*
P-507	7-1-46	Bureau of Air Commerce	103-625 sq. ft. at Ave. U and Stuart St., Brooklyn	6-30-47
P-511A	7-1-46	Civil Aeronautics Adm.	Radio Range Station, English Kills	6-30-47
P-686	7-1-46	"	Radio Range at Rulers Bar, Hassock, Queens	6-30-47

674 Dept. of Commerce, CAA—Nov. 1, 1945, to June 30, 1946. Operation and maint. of an Instrument Landing System consisting of Localizer Unit, Glide Path Unit and boundary Marker Unit and necessary control facilities.

LEASES IN EFFECT AT NEW YORK CITY MUNICIPAL AIRPORTS

No.	*Date*	*Lessee*	*Purpose*	*Expires*
		LaGuardia Airport		
L-138	10-5-39	Hotel New Yorker Corp.	Operate Restaurant	10 yrs. from date of operation
L-128	10-15-38	American Airlines, Inc.	Hangars 1-3-5 — Space Adm. Bldg. Conduct Scheduled Flights	10 yrs. from date complet'n Bldgs. and Airport
L-129	10-21-38	United Airlines Transport Corp.	Hangar 2 — Space Adm. Bldg. Conduct Scheduled Flights	"
L-130	11-12-38	Transcontinental & Western Air, Inc.	Hangars 4-6—Space Adm. Bldg. Conduct Scheduled Flights	"
L-135	5-16-39	Pan American Airways Co.	Seaplane Hangar A Space Seaplane Adm. Bldg. Conduct Scheduled Flights	"

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No.	Date	Lessee	Purpose	Expires
L-144	12-1-39	Grand Central Cadillac Renting Corp. (Carey Airport Service, Inc.)	Right to Transport Air Passengers Parking Space	12-31-49
L-152	1-8-40	Canadian Colonial Airways, Inc. (Colonial Airlines)	½ Hangar 8 and lean-to Space Adm. Bldg. Conduct Scheduled Flights	10 yrs. from date complet'n Buildings and Airport
L-153	1-20-40	Eastern Airlines, Inc.	½ Hangar 8 and lean-to Space Adm. Bldg. Conduct Scheduled Flights	4-14-50
L-155	12-9-39	United States of America (Civil Aeronautics Adm.)	2-story Office Bldg. and Hangar	6-30-40 with annual Renewal Privilege to 6-30-60
L-177	4-4-41	American Export Airlines, Inc. (American Overseas Airlines)	Hangar and lean-to at Seaplane Base, Space in Marine Term. Building. Right to Conduct Scheduled Flights	10 yrs. from date completion Buildings and Airport
L-182	4-1-41	Empire Trust Co. (Mfrs. Trust Co.)	715 sq. ft., 1st floor Administration Bldg.	10 years from date of occupancy
L-183	4-1-41	"	Show Case 2nd floor Administration Bldg.	6-30-51
L-185	8-13-41	Gulf Oil Corp.	3 Gasoline Stations	10 yrs. from date of completion
L-189	10-24-41	Shell Oil Co., Inc.	1 Cell in Gasoline Bulk Storage Area	5 yrs. from date of completion with renewal privilege
L-194	12-1-40	Frank Giordano	323 sq. ft., 3rd floor Administration Bldg. Barber Shop	12-1-51
L-195	5-6-42	Pan American Airways, Inc.	Parcels A and B at Seaplane Base and Buildings thereon	11-15-49

No.	*Date*	*Lessee*	*Purpose*	*Expires*
L-202	3-2-43	American Export Airlines, Inc. (American Overseas Airlines)	Land Adjacent to seaplane Hangar 2	Termination date of primary term of main lease
L-206	5-12-43	United States of America Post Office Department	821 sq. ft. of space in Landplane Adm. Bldg.	2-29-52
L-235	10-31-45	American Airlines, Inc.	Land adjacent to Hangar 5	Termination date of primary term of main lease

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L-222	8-31-45	Eastern Airlines	Site area Space in Term. Bldg. Other Rights	Completion of permanent facilities
L-223	8-31-45	Flagship Clubs, Inc. (American Airlines)	Space Permanent Term. Building	Date of commencement 1st renewal Amer. Airlines lease
L-224	8-31-45	Northwest Airlines	Site Area Space in Term. Bldg. Other Rights	Completion of permanent facilities
L-225	8-31-45	Pan American Airways	"	"
L-226	8-31-45	Pennsylvania Central Airlines	"	"
L-227	"	Trans-Canada Airlines	"	"
L-228	"	United Airlines	"	"
L-229	"	British Overseas Airways Corporation	"	"
L-230	"	American Overseas Airlines	"	"
L-231	"	American Airlines	"	"
L-232	"	Transcontinental & Western Air, Inc.	"	"

No.	*Date*	*Lessee*	*Purpose*	*Expires*
L-233	8-31-45	National Airlines	Site Area Space in Terminal Building, Other Rights	Completion of permanent facilities
L-234	"	American Airlines and Transcontinental & Western Air, Inc.	Additional Land	Date of Commencement 1st Renewal Term principle leases
L-236	10-2-45	Colonial Airlines	Site Area Space in Terminal Building, Other Rights	Completion of Permanent Facilities
L-237	12-17-45	Colonial Beacon Oil Co. Shell Oil Co., Inc. Socony Vacuum Oil Co. The Texas Co.	Joint Lease of Fuel Facilities	"
L-238	12-31-45	Swedish Intercontinental Airline (SILA)	Site Area Space in Terminal Building, Other Rights	"
L-239	12-27-45	Gulf Oil Corp.	Operate Auto Service Stations Also Marine Fuel and Transient Aircraft	"
	12-29-45	Cargair Inc.	Ground Space	December, 1955
			OTHERS	
L-150	Not known	United States of America (Civil Aeronautics Administration)	Land for Range Site Vicinity of English Kills. 11.41 acres	Year to year. Not to extend beyond 6-30-1960
L-137	9-24-39	United Airlines	Transmission Tower Property on Cross Bay Blvd.	10 yrs. from date of approval by B. of E.
L-140	11-10-39	Transcontinental & Western Air, Inc.	Transmission Tower, Jamaica Bay	"
L-167	10-8-40	American Airlines	Transmission Tower, Jamaica Bay	"

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SCHEDULE C

Automotive Equipment

City Equipment No.	*Description*
3.	G. M. C. dump truck 1938 (1½T)
4.	Chevrolet pick up truck 1938 (1T)
8.	Standard power lawn mower 1939 (Dept.)
11.	Cletrac crawler tractor 1939 (Bulldozer)
12.	Ford sedan 1939
14.	Ford dump truck 1939 (1½T)
15.	G. M. C. platform truck (7T)
16.	International Ladder Truck (1½T)
17.	Worthington 105 cu. ft. air compressor
20.	Worthington tractor with gang mower and side sickle bar
21.	Buffalo Springfield road roller (FBF)
22.	Standard power mower
23.	Kohler gas driven electric generator
24.	International panel truck 1941
25.	International panel truck
29.	Kohler gas driven electric generator
31.	Kohler gas driven electric generator
32.	Coldwell power hand mower
36.	Simar roto-tiller
38.	Portable gas driven electric generator (1250W)
40.	Hardie sprayer
41.	Jaeger pump

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Automotive Equipment City Equipment No.	*Description*
50.	Walters snow plow
51.	Walters snow plow (Model 1GBS)
52.	International Truck (Dempsey Dumpster)
53.	Dodge Reconnaissance and Command Car
54.	Dodge Reconnaissance and Command Car
55.	Dodge Reconnaissance and Command Car
56.	Mower Tractor-Worthington grassblitzer
57.	Worthington Grass Blitzer
58.	Homelite 2" suction pump
59.	Ford Jeep (1943)
60.	Chevrolet cargo truck (1½T)
61.	Chevrolet cargo truck (1½T)
	Sand spreader
	Road magnet
	Disc harrow
	Spike harrow
	Grass blitzer units
	2 sickle bars
	2 crash truck U. S. Army Class 155
	1 Tank Truck 2500-gallon
	1 Ahrens-Fox Pumper and Hose Cart
	2 Crash Trucks U. S. Army 125
	1 3-Ton Cardox Crash Truck
	1 G. M. C. Comb. CO^2 and Foam Crash Truck
	2 John Bean High Pressure Water and Foam Crash Trucks
	1 Seagrave Pumper

Shop Equipment:

1	Lathe (Bench) model 409 South Bend 1939 .
1	Drill Press Stand
1	Paving Breaker Thor #20
1	Boiler tube cleaner
1	Electric suction cleaner & blower Tornado #10
1	Clay Digger Chicago Pneumatic model CPM
3	¼ electric drill
1	½ electric drill
1	¾ electric drill
2	⅞ electric drill
1	Stanley bench grinder 6"
1	Stanley Portable electric hammer
1	Delta saw joiner
1	Circular wood saw
1	Log saw (gas engine drawn)
1	Portable circular saw 8"
2	Electric Shears
1	Platform (Telescoping)
1	Hobart electric welder, 20 h. p., 300 amps., at 40 V., serial #DW4234
1	Portable pipe threader, electric driven

Testing Instruments:

1	Clamp-on ammeter, Weston
2	Simpson Roto Ranger #202 (Voltmeter, Ammeter, Ohmeter, etc.)

Testing Instruments:

1	Weston Industrial Analyzer ≐639
1	Power cable fault bridge
1	Weston ≒603 illumination meter
1	G. E. voltmeter
1	G. E. recording wattmeter
1	Tachometer
1	Tensionmeter
1	Megger (Biddle) 250V
1	Megger (Biddle) 500V
1	Fibre duct pre locator

SCHEDULE D

AN ACT

To amend chapter of the laws of New York of nineteen forty-seven, entitled "AN ACT to facilitate the financing and effectuation of air terminals by the port of New York authority and agreeing with the state of New Jersey with respect thereto", generally,

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Upon the concurrence of the state of New Jersey herein, in accordance with Section 3 of this Act, Sub-divisions (a) and (c) of Section 8, and Section 10, of Chapter of the laws of New York of nineteen forty-seven entitled "An act to facilitate the financing and effectuation of air terminals by the port of New York authority and agreeing with the state of New Jersey with respect thereto", and of Chapter forty-three of the laws of New Jersey of 1947, entitled "An act to facilitate the financing and effectuation of air terminals by the port of New York authority and agreeing with the state of New Jersey with respect thereto" are hereby amended to read as follows:

§ 8(a) Notwithstanding any contrary provision of law, every municipality in the port of New York District is authorized and empowered to consent to the use by the Port Authority of any air terminal owned by such municipality or of any real or personal property owned by such municipality and necessary, convenient or desirable in the opinion of the Port Authority for air terminal purposes, including such real property as has already been devoted to a public use, and as an incident to such consent, to grant, convey, lease, or otherwise transfer to the Port Authority any such air terminal or real or personal property, upon such terms as may be determined by the Port Authority and such municipality. Every such municipality is also authorized and empowered as an incident to such consent to vest in the Port Authority the control, operation, maintenance, rents, tolls, charges, and any and all other revenues of any air terminal now owned by such municipality, the title to such air terminal remaining in such municipality. Such consent shall be given and the execution of any agreement, deed, lease, conveyance, or other instrument evidencing such consent or given as in incident thereto shall be authorized in the manner provided in article twenty-two of the compact of April thirtieth, nineteen hundred twenty-one, between the two states creating the Port Authority.

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(c) The states of New York and New Jersey hereby consent to suits, actions or proceedings of any form or nature in law, equity or otherwise by any city or other municipality against the Port Authority upon, in connection with or arising out of any such agreement, agreements or any modification thereof or supplement thereto, [by any county, city, borough, village, township, municipality, public agency or authority for the recovery of any moneys agreed to be paid by the Port Authority thereunder, and for such purpose only, and any judgment therein against the Port Authority shall be payable only from such funds as the Port Authority may have available for the payment of such judgment.] for the following types of relief and for such purposes only:

(1) For money damages for breach thereof,

(2) For money damages for torts arising out of the operation of the municipal air terminal,

(3) For rent,

(4) For specific performance,

(5) For reformation thereof,

(6) For accounting,

(7) For declaratory judgment,

(8) For judgments, orders or decrees restraining or enjoining the Port Authority from transferring title to real property to third persons in cases where it has contracted with such City or other municipality to transfer such title to such City or municipality, and

(9) For judgments, orders or decrees restraining or enjoining the Port Authority from committing or continuing to commit other breaches of such agreements with such City or municipality, provided, that if the proceeding for such judgment, order or decree is brought in a Court of the State of New Jersey, it shall not take effect until affirmed by the Court of Errors and Appeals of that State, or if the Port Authority takes no appeal therefrom, until the time to take such appeal has expired, provided further, that if the proceeding for such judgment, order or decree is brought in a court of the State of New York, it shall not take effect until affirmed by the Appellate Division of the Supreme Court, or if the Port Authority takes no appeal therefrom, until the time to take such appeal has expired, and provided lastly that if the proceeding for such judgment, order or decree is brought in a Federal Court, it shall not take effect until affirmed by the Circuit Court of Appeals or if the Port Authority fails to take an appeal therefrom, until the time to appeal has expired.

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When rules of venue are applicable, the venue of any such suit, action or proceeding shall be laid in the county or judicial district in which the airport, which is the subject matter of such agreement between the Port Authority and the City or other municipality, or any part thereof, is located.

If any clause, sentence, paragraph, or part of this subdivision or the application thereof to any person or circumstances, shall, for any reason, be adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this subdivision, and the application thereof to any other person or circumstances, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered and to the person or circumstances involved.

§ 10. The Port Authority may make application directly to the proper federal officials or agencies for federal loans or grants in aid of air terminals owned or operated by it; provided, that if either state shall have or adopt general legislation governing applications for federal aid for air terminals by municipalities of such state, or the receipt or disbursement of such federal aid by or on behalf of such municipalities, then such legislation shall at the option of such state apply to applications by the Port Authority for federal aid for air terminals located in such state and to the receipt and disbursement of such federal aid by or on behalf of the Port Authority, in the same manner and to the same extent as other municipalities of such state. Except as above provided, and except as otherwise provided in any agreement between the Port Authority and a municipality, no agency or commission of either state shall have jurisdiction over any air terminals under the control of the Port Authority, and all details of financing, construction, leasing, charges, rates, tolls, contracts and the operation of air terminals owned or controlled by the Port Authority shall be within its sole discretion and its decision in connection with any and all matters concerning such air terminals shall be controlling and conclusive.

§ 2. The first sentence of section fifteen of Chapter of the laws of New York, 1947, is hereby amended to read as follows:

§ 15. Subject to the foregoing limitations, [At its option,] the Port Authority may, at its option, exercise the right of eminent domain or condemnation to acquire real property for air terminal purposes as set forth in this section.

§ 3. This act shall take effect upon the enactment into law by the state of New Jersey of legislation having an identical effect with Section 1 of this act, but if the state of New Jersey shall have already enacted such legislation, then this act shall take effect immediately.

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SCHEDULE E

LEASES IN EFFECT AT NEW YORK CITY MUNICIPAL AIRPORTS

LaGuardia Field

No.	*Date*	*Lessee*	*Purpose*	*Expires*
L-128	10-15-38	American Airlines, Inc.	Hangars 1-3-5 Space Adm. Bldg. Conduct Scheduled Flights	10 yrs. from date complet'n Bldgs. & Airport
L-129	10-21-38	United Airlines Transport Corp.	Hangar 2 Space Adm. Bldg. Conduct Scheduled Flights	"
L-130	11-12-38	Transcontinental & Western Air, Inc.	Hangars 4-6 Space Adm. Bldg. Conduct Scheduled Flights	"
L-135	5-16-39	Pan American Airways Co.	Seaplane Hangar A Space Seaplane Adm. Bldg. Conduct Scheduled Flights	"
L-152	1-8-40	Canadian Colonial Airways Inc. (Colonial Airlines)	½ Hangar 8 and lean-to Space Adm. Bldg. Conduct Scheduled Flights	"
L-153	1-20-40	Eastern Airlines, Inc.	½ Hangar & lean-to Space Adm. Bldg. Conduct Scheduled Flights	4-14-50
L-177	4-4-41	American Export Airlines, Inc. (American Overseas Airlines)	Hangar and lean-to at Seaplane Base Space in Marine Term. Bldg. Right to Conduct Scheduled Flights	10 yrs. from date completion Bldgs. & Airport
L-185	8-13-41	Gulf Oil Corp.	3 Gasoline Stations	10 yrs. from date completion

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No.	*Date*	*Lessee*	*Purpose*	*Expires*
L-189	10-24-41	Shell Oil Co., Inc.	1 Cell in Gasoline Bulk Storage Area	5 yrs. from date of completion with renewal privilege
L-192	12-1-40	American Airlines, Inc.	450 sq. ft. 2nd floor Adm. Bldg.	12-1-46
L-195	5-6-42	Pan American Airways, Inc.	Parcels A and B at Seaplane Base and Buildings thereon	11-15-49
L-197	12-1-40	American Airlines, Inc.	1366 sq. ft. 1st floor Administration Bldg. for Admirals Club and Concession	12-1-46
L-202	3-2-43	American Export Airlines, Inc. (American Overseas Airlines)	Land Adjacent to seaplane Hangar 2	Termination date of primary term of main lease
L-235	10-31-45	American Airlines, Inc.	Land adjacent to Hangar	"

IDLEWILD AIRPORT

L-222	8-31-45	Eastern Airlines	Site area Space in Term. Bldg. Other Rights	Completion of permanent facilities
L-223	8-31-45	Flagship Clubs, Inc. (American Airlines)	Space Permanent Term. Building	Date of commencement 1st renewal Amer. Airlines lease
L-224	8-31-45	Northwest Airlines	Site area Space in Term. Bldg. Other Rights	Completion of permanent facilities
L-225	8-22-45	Pan American Airways	"	"
L-226	8-31-45	Pennsylvania Central Airlines	"	"
L-227	"	Trans-Canada Airlines	"	"

No.	*Date*	*Lessee*	*Purpose*	*Expires*
L-228	8-31-45	United Airlines	Site area Space in Term. Bldg. Other Rights	Completion of permanent facilities
L-230	"	American Overseas Airlines	"	"
L-231	"	American Airlines	"	"
L-232	"	Transcontinental & Western Air, Inc.	"	"
L-233	"	National Airlines	"	"
L-234	"	American Airlines and Transcontinental & Western Air, Inc.	Additional Land	Date of Commencement 1st Renewal term Principle leases
L-236	10-3-45	Colonial Airlines	Site Area Space in Terminal Building Other Rights	Completion of Permanent Facilities
L-237	12-17-45	Colonial Beacon Oil Co., Shell Oil Co., Inc., Socony Vacuum Oil Co., The Texas Co.	Joint Lease of Fuel Facilities	"
L-239	12-27-45	Gulf Oil Corp.	Operate Auto Service Stations Also Marine Fuel and Transient Aircraft	"
L-137	9-24-39	United Airlines	Transmission Tower Property on Cross Bay Blvd.	10 yrs. from date of approval by B. of E
L-140	11-10-39	Transcontinental & Western Air, Inc.	Transmission Tower, Jamaica Bay	"
L-167	10-S-40	American Airlines	Transmission Tower, Jamaica Bay	"

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The Port Authority agrees that the City shall retain the sum of $100,000 from the deposits and pre-paid rents described in Section 12 of the agreement until such time as releases and consents similar to the release and consent set forth in Schedule F are delivered to the City by Swedish Intercontinental Airline (SILA) and British Overseas Airways Corporation; and upon the delivery of the release and consent from either of the aforesaid companies to the City, or when every action which may be brought by such company on account of any breach of its lease or agreement by the City has been barred by the Statute of Limitations, the sum of $50,000. shall be paid to the Port Authority by the City.

SCHEDULE F

KNOW ALL MEN BY THESE PRESENTS that

WHEREAS, a certain agreement dated April , 1947, has been entered into between THE CITY OF NEW YORK (hereinafter referred to as CITY) and THE PORT OF NEW YORK AUTHORITY (hereinafter referred to as the PORT AUTHORITY) which agreement covers, among other things, the leasing by the CITY to the PORT AUTHORITY of its municipal air terminals in the City of New York, and

WHEREAS, by and pursuant to said agreement, the CITY has assigned to the PORT AUTHORITY as of June 1, 1947 a certain lease, permit, contract or other agreement made on the day of 19 , between the CITY and the undersigned,

[LIST ADDITIONAL LEASES]

NOW, THEREFORE, for good and valuable considerations, the receipt whereof is hereby acknowledged, the undersigned does hereby consent to the aforesaid assignment of the aforesaid lease, permit, contract or other agreement, together with all security deposits and prepaid rent; and the undersigned, for good and valuable further considerations, receipt whereof is hereby acknowledged, does hereby release the CITY from all liabilities, claims and demands, including security deposits and prepaid rent, now existing or hereafter to occur under said aforesaid lease, permit, contract or other agreement, and the CITY is hereby released and forever discharged of and from any and all manner of actions, causes of action, suits, proceedings, debts, dues, contracts, judgments, and damages, claims and demands whatsoever in law or equity which against the CITY the undersigned ever had, now has or which its successors and assigns can have or may have, for or by reason of any matter, cause, or thing whatsoever, arising out of or hereafter arising out of such lease, contract, permit or other agreement.

And the undersigned does hereby release and forever discharge the Port of New York Authority from any and all liabilities, and any and all manner of actions, causes of action, suits, proceedings, debts, dues, contracts, judgments, and damages, claims and demands whatsoever in law or in equity which against The Port of New York Authority the undersigned ever had, now has or which its successors and as-

signs can have or may have, for or by reason of, or arising directly or indirectly out of any breach of the aforesaid lease, permit, contract or other agreement, committed or alleged to have been committed prior to June 1, 1947.

IN WITNESS WHEREOF, the undersigned has caused these presents to be signed by its proper officer and its corporate seal to be hereunto affixed this day of 1947.

.....

ATTEST:

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(Acknowledgment)

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SCHEDULE H

1. Department Contract No. 2533. Misc. construction for three runway operations, Idlewild Airport (Board of Estimate Cal. No. 209, April 10, 1947).

2. Department Contract No. 2528. Repairs to buildings and structures, Floyd Bennett Field.

3. Department Contract No. 2518. Preparation of field sketches, etc. Floyd Bennett Field.

SCHEDULE I

DEPARTMENT OF MARINE AND AVIATION

Civil Service Employees Charged to the Bureau of Aviation

Code 8105-001 TS

Line	*Title*	*Salary*	*Name*	*Address*	*Appointed*	*Rem.*
1	Director of Airports	(8000) $8350	Elmer Haslett		4/ 1/42	
2	Airport Manager	(6500) $7150	Kenneth P. Behr		8/19/31	
14	Airport Inspector	(4000) $4650	Samuel Levy		7/16/31	M.
15	Airport Inspector	(3360) $4010	James G. Adams		7/16/31	
15	Airport Inspector	(3360) $4010	Neal G. Grignon		5/ 9/29	
16	Airport Inspector	(3360) $4010	Edward G. Juengst	(Ex. 1)	7/16/31	L. C to Li
16	Airport Inspector	(3360) $4010	George J. Schloer		8/22/31	L. C to Li
17	Accountant	(2640) $3290	Simon D. Feigin		11/21/39	
18	Clerk	(2340) $3000	John L. Kelly		7/ 1/30	
19	Clerk	(1200) $1920	Marion G. Troisi		7/ 1/43	L. C
22	Telephone Operator	(1800) $2460	Helen J. Sutherland		3/20/40	
25	Attendant (Female)	(1920) $2580	Mary A. E. Morris		9/ 1/39	Assig Bur.
26	Foreman Electrician	$4990	Walter L. Bennett		6/12/34	
27	Oiler (302D)	$3000	Robert G. Klee		6/13/27	
28	Electrician (Airport)	$15. a day	Frank J. McPartland		3/12/40	
30	Auto Mechanic (302D)	$3860	Robert G. Jones		7/ 1/43	
32	Foreman Laborer (313D)	(2520) $3170	Francis E. Johnson		4/16/31	
33	Laborer (302D)	(1740) $2400	John J. Baldi		5/15/42	
33	Laborer (302D)	(1740) $2400	Otis Gregory		2/ 2/42	
33	Laborer (302D)	(1740) $2400	Joseph R. McGrath		6/16/42	
33	Laborer (302D)	(1740) $2400	Joseph Maggio	Ave.,	4/18/31	
33	Laborer (302D)	(1740) $2400	William A. Seifert		5/ 7/42	

Line	Title	Salary	Name	Address	Appointed	Remarks
33	Laborer (302D)	(1740) $2400	Frank J. Lamicelli		5/11/42	
34	Laborer (302D)	(1740) $2400	Herbert J. Egleston		9/16/42	
34	Laborer (302D)	(1740) $2400	Anthony Gialloreto		12/30/39	
34	Laborer (302D)	(1740) $2400	Albert DePhillis		12/30/39	
37	Gardener	(2400) $3050	Charles Murray	(Ex. 1)	7/ 1/39	
38	Assistant Gardener	(2040) $2700	Harold A. Patterson		12/ 1/39	
38	Assistant Gardener	(2040) $2700	Otto C. Kemp		12/ 1/39	
39	Assistant Gardener	(1700) $2360	John L. Esposito		6/27/46	
39	Assistant Gardener	(1700) $2360	Cornelius A. Joeckel		1/ 1/46	
40	Cleaner (Male) (302D)	(1560) $2220	George H. Blaney		11/24/39	L. O. A. to 8108-Line 5
40	Cleaner (Male) (302D)	(1560) $2220	Harlan E. Bergen		10/10/39	L. O. A.
42	Cleaner (Female) (302D)	(1380) $2040	Adele Weisberg		5/14/40	
42	Cleaner (Female) (302D)	(1380) $2040	Mary C. Flood		8/ 1/40	
43	Cleaner (Female) (302D)	(1380) $2040	Bridget Bunko		2/ 1/45	
46	Airport Assistant	(1800) $2460	Joseph F. Giordano		12/23/39	
46	Airport Assistant	(1800) $2460	James F. McMurray		5/16/41	
46	Airport Assistant	(1800) $2460	Warren C. J. Grantz		10/16/41	
48	Airport Assistant	(1320) $1980	David L. Walsh		5/ 1/41	M. L.
51	Maintenance Man (302D)	(2400) $2700	Joseph Pescia		8/ 1/41	L. O. A to 8108-Line 5
52	Maintenance Man (302D)	(2220) $2520	Frederick T. Hubbard		11/20/37	
52	Maintenance Man (302D)	(2220) $2520	Stanley Cullwick		2/ 1/42	
52	Maintenance Man (302D)	(2220) $2520	Pasquale Castelli		2/13/40	
54	Maintenance Man (Airport) (302D)	(2100) $2400	Frank Bergman		5/16/46	
55	Cleaner (Female) (302D)	(1320) $1980	Julia D. Jedlicka		5/16/45	
56	Airport Assistant	(1680) $2340	William K. McCaffrey		12/ 7/40	L. O. A.
59	Airport Assistant	(1800) $2460	Anthony Cycoveck		5/28/41	

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Code 8105-001 TS (cont.)

Line	Title	Salary	Name	Address	Appointed	Remarks
79	Clerk	(1560) $2220	Louis Weinstein		2/ 1/47	
80	Clerk	(1260) $1920	James F. Murphy	(Ex. 1)	2/ 1/47	
82	Telephone Operator	(1800) $2460	Alice Sullivan		3/15/39	
89	Accountant	(2640) $3290	John Farkas		8/13/39	

Code 8108-007

55	Electrician (250D)	$15. a day	Carl Gherardi		5/27/38	
55	Electrician (250D)	$15. a day	Wilfred T. Jones		11/ 1/39	
55	Electrician (250D)	$15. a day	Michael P. O'Hearn		9/29/45	
56	Oiler	$8.72 a day	Abraham Wexler		6/14/27	

Note: M. L. indicates on Military Leave.
L. O. A. indicates on leave of absence without pay.

April 10, 1947

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DEPARTMENT OF MARINE AND AVIATION

Employees Charged to Engineering Bureau and Other Codes and Assigned to Aviation Bureau

Code and Line	Title	Salary	Name	Address	Appointed	Remarks
8103-3	Civil Engineer	(5000) 5650	James S. Kenny		7/ 7/25	
8103-15	Asst. Civil Engineer	(3360) 4010	Robert H. Cameron		2/16/45	
8103-21	Jr. Civil Engineer	(2700) 3350	Walter J. Lynch		4/18/23	
8103-48	Asst. Civil Engineer	(4260) 4910	Albert Bauer	(Ex. 1)	10/25/28	
8103-52	Asst. Civil Engineer (Str.)	(3660) 4310	William S. Hoffman		4/16/30	
8103-65	Civil Eng. Draftsman	(3000) 3650	Stanley Szlanda		12/16/31	
8103-69	Inspector of Pier Bldg.	(2760) 3410	James A. Fay		10/21/35	
8103-69	Inspector of Pier Bldg.	(2760) 3410	Howard H. Schwarting		4/20/31	
8103-97	Foreman Laborer	(2520) 3170	Elliott D. Haenlein		10/21/35	
8103-106	Watchman	(1200) 1860	Edward A. Curran*		1/20/47	Prov. Sub. for S. Curley—L. O. A.
8103-107	Watchman	(1320) 1980	Louis A. Saunders*		1/ 9/47	
8103-108	Watchman	(1200) 1860	Joseph J. Whitney*		1/20/47	
8106-24	Ticket Agent	(1440) 2100	Edward Maxner*		2/25/46	Ferry Bureau Emp.
8108-3	Carpenter (250D)	$4.70 day	Frederick W. Bell		9/29/44	

SPECIAL SCHEDULE

16	Jr. Civil Engineer	(2700) 3350	John J. Foley		5/25/45
19	Civil Eng. Draftsman	(2940) 3590	George P. Secor		3/16/46
21	Jr. Civil Engineer	(2700) 3350	George H. Flanagan		6/15/44
22	Jr. Civil Engineer	(2700) 3350	James F. Rigney		6/ 2/36
23	Jr. Civil Engineer	(2700) 3350	Robert J. Kane		9/16/30
24	Inspector of Pier Bldg.	(2820) 3470	Osgood T. Barnes		4/ 2/32
24	Inspector of Pier Bldg.	(2820) 3470	Arthur L. Walsh		4/ 2/36
30	Stenographer	(2760) 3410	Juliet I. Graham	eights	4/20/22

Note: * Indicates Provisional Employee.

April 10, 1947

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THE CITY OF NEW YORK

and

THE PORT OF NEW YORK AUTHORITY

FIRST SUPPLEMENTAL AGREEMENT WITH RESPECT TO MUNICIPAL AIR TERMINALS

Dated May 26, 1949

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FIRST SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

THIS AGREEMENT (hereinafter called "First Supplemental Agreement"), made as of the 26th day of May, 1949 by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York with its principal office at the City Hall in the Borough of Manhattan, City of New York (hereinafter called "the City"), and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by compact between the States of New York and New Jersey with the consent of Congress, with its office at No. 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter called "the Port Authority"):

W I T N E S S E T H :

WHEREAS, under date of April 17, 1947 the City and the Port Authority entered into an Agreement (hereinafter called "Original Agreement") with respect to municipal air terminals, the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on the 17th day of April, 1947 (Cal. No. 5) and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on the 17th day of April, 1947, and

WHEREAS, by said Original Agreement the City demised to the Port Authority the premises, among others, shown in green on the Map designated "Map II" annexed to said Original Agreement, and

WHEREAS, the Port Authority desires and is willing to release and surrender unto the City as of the date hereof two certain portions of said premises more particularly described hereinafter, and the City is willing to accept such release and surrender;

NOW, THEREFORE, for and in consideration of the mutual agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree each for itself and its successors and assigns, that said Original Agreement shall be and it hereby is supplemented, amended and modified as follows:

1. The Port Authority hereby gives up, grants, yields and surrenders unto the City, and the City hereby accepts the surrender of those two certain portions of the premises demised as aforesaid as are colored in blue on the Map annexed hereto and marked "Supplemental Map II" and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to or out of the same to the intent and purpose that the said term in said two certain portions of said premises as are colored in blue on the aforesaid Supplemental Map II may be wholly merged, extinguished, determined and excluded from

said lease.

TO HAVE AND TO HOLD said premises herein surrendered unto the City, its successors and assigns forever, provided, that until the expiration or sooner termination of the Original Agreement, the premises herein surrendered shall be held by the City for street purposes and for no other purpose or purposes whatsoever.

2. Except as herein modified, the Original Agreement shall continue to remain in full force and effect without reduction in rent by reason of the reduction of the demised premises affected by this First Supplemental Agreement.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

ATTEST:

/s/ William A. Carroll
First Deputy and Acting City Clerk

CITY OF NEW YORK

By /s/ William O'Dwyer
Mayor

ATTEST:

Joseph G. Carty

THE PORT OF NEW YORK AUTHORITY

By Austin J. Tobin
Executive Director

APPROVED AS TO FORM:

R.C.S. Leander I. Shelley
General Counsel

H.E. O'D. Charles F. Preusse
S. A. Acting Corporation Counsel

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STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.
CITY OF NEW YORK)

On this 10th day of June, 1949, before me personally came, William A. Carroll, with whom I am personally acquainted and known to me to be the First Deputy and Acting CITY CLERK of THE CITY OF NEW YORK, who, being by me duly sworn, did depose and say that he resides at 1931 Madison Ave., Borough of Manhattan, City of New York; that he is the First Deputy and Acting CITY CLERK OF THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation (the corporation described in and which executed the foregoing instrument); that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Estimate, and that he signed his name thereto as First Deputy and Acting CITY CLERK by like authority; and further that he knows and is acquainted with WILLIAM O'DWYER, and knows him to be the person described in and who as MAYOR OF THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him; the said William A. Carroll, that he executed and delivered the same, and he the said William A. Carroll thereupon subscribed his name thereto.

/s/ Joseph A. Fanelli
JOSEPH A. FANELLI
Commissioners of Deeds, City of New York
New York County Clerk's No. 57
Commission Expires March 15, 1951

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.
CITY OF NEW YORK)

On this 6th day of June, 1949, before me personally came and appeared AUSTIN J. TOBIN, to me known, who, being by me duly sworn did depose and say that he resides at 13 Monroe Place, Borough of Brooklyn, City of New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY, and that he signed his name thereto by like order.

/s/ Marguerite F. Nielsen
MARGUERITE F. NIELSEN
NOTARY PUBLIC, State of New York
Residing in Kings County
Kings Co. Clk's No. 39, Reg.No. 157-N-0
Certificates Filed In
N.Y.Co. Clk's No. 46,Reg.No. 252-N-0
Commission Expires March 1950

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THE CITY OF NEW YORK

and

THE PORT OF NEW YORK AUTHORITY

Second Supplemental Agreement

with respect to

Municipal Air Terminals

DATED November 7th, 1952

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Agreement (hereinafter called "Second Supplemental Agreement") made as of this 7th day of November, 1952, by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, with its principal office at the City Hall in the Borough of Manhattan, City of New York (hereinafter called the "City"), and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter called the "Port Authority"),

WITNESSETH:

WHEREAS, under date of April 17, 1947 the City and the Port Authority entered into an Agreement With Respect To Municipal Air Terminals (hereinafter called "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on the 17th day of April, 1947 (Cal. No. 5) and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on the 17th day of April, 1947, and

WHEREAS, under date of May 26, 1949 the City and the Port Authority entered into an agreement (called "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on the 26th day of May, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on the 12th day of May, 1949, and

WHEREAS, it is necessary and mutually desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree each for itself and its successors and assigns that said Original Agreement shall be and it hereby is supplemented and amended as follows:

1. DEFINITIONS

Except as hereinafter expressly provided, any words or phrases used in this Second Supplemental Agreement and specially defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

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2. SUBSTITUTED SCHEDULE A

The schedule annexed hereto marked "Substituted Schedule A" shall be and it hereby is substituted in the place and stead of the schedule marked "Schedule A" annexed to said Original Agreement. Wherever in said Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A.

3. LA GUARDIA AIRPORT—AREA A—SURRENDER OF PORTION OF DEMISED PREMISES

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises shown colored in red and by hatching on the map of La Guardia Airport annexed hereto and marked "Supplemental Map I", dated August 8, 1952, and all the estate, right, title, interest, terms of years, property, claim and demand whatsoever of the Port Authority of, in, to or out of the same, to the intent and purpose that the said term in said portion of the demised premises shown colored in red and by hatching on the aforesaid Supplemental Map I may be wholly merged, extinguished, determined and excluded from the Original Agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, *subject, however,* during the term for which the demised premises were leased, to the provisions of section 24 of said Original Agreement.

4. SURRENDER OF PORTIONS OF DEMISED PREMISES—NEW YORK INTERNATIONAL AIRPORT —BOUNDARY STREETS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises shown colored in red on the map of New York International Airport annexed hereto and marked "Supplemental Map II-A", dated August 8, 1952, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the demised premises shown colored in red on said Supplemental Map II-A may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, *provided,* that during the term for which the demised premises are leased, said premises herein surrendered shall be held by the City for street purposes and for no other purpose or purposes whatsoever, and *provided, further,* that the Port Authority shall have the right to the maintenance therein and thereunder of utility facilities heretofore installed by the Port Authority.

5. Reduction in Size of Parcel 6—New York International Airport

The City is hereby relieved and discharged of its obligation under the Original Agreement to acquire by condemnation on or before January 1, 1951 the parcel designated as "6" on Map II annexed to the Original Agreement. In lieu thereof the City agrees to acquire the parcel designated as "6" and shown colored in yellow and by hatching on Supplemental Map II-A, annexed hereto, by condemnation on or before July 1, 1953. Upon the vesting of title thereto in the City, said Parcel 6 on Supplemental Map II-A shall become a part of the demised premises and shall be subject to all the terms and conditions of the Original Agreement. There shall be no reduction in rent or in the Port Authority's obligation under Paragraph 19 of the Original Agreement by reason of the reduction in size of Parcel 6 as herein provided.

6. Nassau Expressway—New York International Airport

There is shown on Map II annexed to the Original Agreement, marked "Future Nassau Expressway", a strip which, under the last paragraph of Section 2 of said Original Agreement, was reserved for construction of such expressway subject to certain conditions and provisions. The City by resolution duly adopted by its Board of Estimate on January 11, 1951 (Calendar No. 118) having now approved the General (First Phase) Plan for Nassau Expressway which provides for a substantially different alignment than was contemplated at the time of the Original Agreement, the following provision is hereby substituted in place and stead of the provision set forth in the aforesaid last paragraph of Section 2 of the Original Agreement:

"If within ten (10) years from the date of this Second Supplemental Agreement the construction of Nassau Expressway has been authorized and actually started, the Port Authority hereby consents to the reduction of the demised premises to the extent of the strip shown colored in orange and by hatching on Supplemental Map II-A annexed hereto, *provided,* that said strip shall be held by the City, for and during the term for which the demised premises are leased, for street, park or expressway purposes and for no other purpose or purposes whatsoever, and *provided, further,* that access between the expressway and the demised premises shall be provided at the two points designated as "Access No. 1" and "Access No. 2" on said Supplemental Map II-A and that traffic interchange facilities between said Expressway, the intersecting streets and the demised premises shall be provided at the two points designated as "Traffic Interchange No. 1" and "Traffic Interchange No. 2" on said Supplemental Map II-A. The Port Authority shall have the right to maintain in and under said Expressway utility facilities theretofore installed by the Port Authority, and all work of protecting in place and relocating such utility facilities by reason of the Expressway construction shall be done without cost or expense to the Port Authority."

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7. SERVICE ROAD—LA GUARDIA AIRPORT

Paragraph 34 of the Original Agreement is hereby rescinded.

8. LEASE OF ADDITIONAL DEMISED PREMISES—LA GUARDIA AIRPORT—BOAT BASIN

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City, for air terminal purposes and for purposes incidental thereto, the additional lands shown colored in green and by hatching on the map of La Guardia Airport annexed hereto marked "Supplemental Map I" (said additional lands being hereinafter called "the Boat Basin"), to have and to hold unto the Port Authority from the date of this Second Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all the terms, covenants and conditions set forth in said Original Agreement and subject also to the following terms and conditions:

(a) Upon the commencement of the letting hereunder the Port Authority shall proceed promptly to landscape the area along Grand Central Parkway between the Parkway pavement and the southerly boundary line of the Boat Basin with screen planting satisfactory to the Department of Parks of the City, and the Port Authority shall assume the cost of such initial landscaping up to but not exceeding $33,000.00. Thereafter, such landscaping shall be maintained by the Department of Parks of the City.

(b) The Port Authority shall not place fill in or upon the Boat Basin or erect bulkheads thereon or therein except in accordance with plans approved by the Department of Parks of the City prior to the commencement of the work. If any such filling operation is undertaken by the Port Authority, the entire channel between the Boat Basin and Flushing Bay and all of the Boat Basin (including the portion of the Boat Basin not included in this letting) shall be filled. If any such filling operation is undertaken by the Port Authority, the Port Authority shall also construct a sewer in the aforesaid channel at its own cost and expense and in accordance with plans and specifications approved by the President of the Borough of Queens, the Chief Engineer of the Board of Estimate and the Park Department of the City. Unless and until the Port Authority constructs a sewer in the channel as provided hereinabove, the Port Authority shall keep the drainage channel open to carry the run-off from Jackson Creek into Flushing Bay.

9. NEW CITY SEWER CONSTRUCTION

The parties recognize that during the term for which the demised premises are leased the City may find it necessary, not only to maintain existing sewers as authorized by paragraph 13 of the Original Agreement, but also to construct and maintain

new sewers within the demised premises to serve areas or property without the demised premises. The Port Authority has no objection to the construction and maintenance of such new sewers by the City provided they will not in any way interfere with or affect the safe and efficient operation or future development of the demised premises by the Port Authority. Accordingly, it is agreed that in the event the City determines that it is necessary to construct any new sewer within the demised premises, the City may do so, and shall have the right to maintain the same, subject to the provisions of paragraph 13 of the Original Agreement and also subject to the prior approval of the Port Authority as to the proposed location, *provided* that the work shall be done without cost or expense to the Port Authority in accordance with plans and specifications approved by the Chief Engineer of the Port Authority. All such work shall be done so as to assure the safe and efficient operation of the airport and, to that end only, the Port Authority shall supervise the work.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

(SEAL)

City Clerk
MURRAY W. STAND

THE CITY OF NEW YORK

Mayor
VINCENT R. IMPELLITTERI

Attest:

JOSEPH G. CARTY
Secretary (SEAL)

THE PORT OF NEW YORK AUTHORITY

AUSTIN J. TOBIN
Executive Director

Approved as to form
DENIS M. HURLEY
Corporation Counsel
SWA EAW

Approved as to form
SIDNEY GOLDSTEIN
General Counsel
RCS

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STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

On the 7th day of November, 1952, ~~194~~, before me came AUSTIN J. TOBIN, to me known, who, being by me duly sworn, did depose and say that he resides at 13 Monroe Place, Brooklyn, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, the corporation described in, and which executed, the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Commissioners of said corporation; and that he signed his name thereto by like order.

JOHN J. COLLINS

(SEAL)

JOHN J. COLLINS
Notary Public, State of New York
No. 24-5765210
Qualified in Kings County
Certificates filed in the following offices:
New York, Bronx, Queens, Richmond, Nassau
and Westchester County Clerks
New York and Queens County Registers
Term expires March 30, 1954

State of New York)
City of New York : ss:
County of New York)

On this 7th day of November, 1952, before me personally came MURRAY W. STAND, with whom I am personally acquainted, and known to me to be the City Clerk of The City of New York, who being by me duly sworn, did depose and say that he resides at 171 Broome Street, in the Borough of Manhattan, City of New York; that he is the City Clerk of The City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed as provided by law, and that he signed his name thereto as City Clerk by like authority, and further, that he knows and is acquainted with VINCENT R. IMPELLITTERI, and knows him to be the person described in and who, as Mayor of The City of New York, executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him, the said MURRAY W. STAND, that he executed and delivered the same, and he, the said MURRAY W. STAND thereupon subscribed his name thereto.

Meyer Slifkin

MEYER SLIFKIN
Notary Public, State of New York
No. 24-9042400
Qualified in Kings County
Certificates filed with
New York & Bronx County Clerks
Kings, N.Y., Bronx and Queens Register
Term expires March 30, 1954

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SUBSTITUTED SCHEDULE A

ITEM 1

All that certain piece or parcel of land and premises, situate, lying and being in the Borough and County of Queens, in the City and State of New York, between 123rd Street and College Point Causeway, between 28th Avenue and 30th Avenue, more particularly bounded and described as follows:

Beginning at a point which is the intersection of the southwesterly line of College Point Causeway (100.00 feet width) with the westerly line of 124th Street (60.00 feet width) as said Causeway and Street are shown on the "Map showing Street system for the territory designated as Section 54 of the Final Maps of the Borough of Queens" which map was adopted by the Board of Estimate and Apportionment of the City of New York on September 27, 1918 and running thence (1) Southwardly, along said westerly line of 124th Street and along a line which makes an interior angle of 139°-11'-36.0" with course numbered five (5) hereinafter described in this description, 78.81 feet; thence (2) Westwardly, at right angles to the preceding course, 189.73 feet to the easterly line of 123rd Street (60.00 feet width) as shown on said adopted map; thence (3) Northwardly, along said easterly line of 123rd Street, at right angles to the preceding course, 132.46 feet; thence (4) Eastwardly, at right angles to the preceding course, 143.41 feet to said southwesterly line of College Point Causeway; thence (5) Southeastwardly, along said southwesterly line of College Point Causeway and along a line which makes an interior angle of 130°-48'-24.0" with the preceding course, 70.88 feet to the point and place of beginning, containing 23,889 square feet.

ITEM 2

All those four (4) pieces or parcels of land and premises situate, lying and being in the Borough and County of Bronx, in the City and State of New York on Rikers Island, more particularly bounded and described as follows:

Parcel 1

Beginning at a point, the coordinates of which are South 23241.84, East 21440.64 and running thence (1) North 56°-55'-35" East, 250.0 feet to a point, the coordinates of which are South 23105.41, East 21650.14; thence (2) Southeastwardly, at right angles to the preceding course, 250.0 feet to a point, the coordinates of which are South 23314.90, East 21786.56; thence (3) Southwestwardly, at right angles to the preceding course, 250.0 feet to a point, the coordinates of which are South 23451.33, East 21577.07; thence (4) Northwestwardly, at right angles to the preceding course, 250.0 feet to the point and place of beginning. The area whereof is 62,500 square feet or 1.4348 Acres.

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Parcel 2

Beginning at a point, the coordinates of which are South 23594.70, East 21758.09 and running thence (1) North 56°-55′-35″ East, 200.0 feet to a point the coordinates of which are South 23485.56, East 21925.69; thence (2) Southeastwardly, at right angles to the preceding course, 200.0 feet to a point, the coordinates of which are South 23653.15, East 22034.83; thence (3) Southwestwardly, at right angles to the preceding course, 200.0 feet to a point the coordinates of which are South 23762.30, East 21867.24; thence (4) Northwestwardly, at right angles to the preceding course, 200.0 feet to the point and place of beginning. The area whereof is 40,000 square feet or 0.9183 Acres.

Parcel 3

Beginning at a point, the coordinates of which are South 23189.48, East 21925.10 and running thence (1) North 56°-55′-35″ East, 200.0 feet to a point, the coordinates of which are South 23080.33, East 22092.70; thence (2) Southeastwardly, at right angles to the preceding course, 200.0 feet to a point, the coordinates of which are South 23247.93, East 22201.84; thence (3) Southwestwardly, at right angles to the preceding course, 200.0 feet to a point, the coordinates of which are South 23357.07, East 22034.25; thence (4) Northwestwardly, at right angles to the preceding course, 200.0 feet to the point and place of beginning. The area whereof is 40,000 square feet or 0.9183 Acres.

Parcel 4

Beginning at a point, the coordinates of which are South 23766.11, East 22408.39 and running thence (1) North 56°-55′-35″ East, 250.0 feet to a point, the coordinates of which are South 23629.68, East 22617.89; thence (2) Southeastwardly, at right angles to the preceding course, 250.0 feet to a point, the coordinates of which are South 23839.18, East 22754.32; thence (3) Southwestwardly, at right angles to the preceding course, 250.0 feet to a point, the coordinates of which are South 23975.61, East 22544.82; thence (4) Northwestwardly, at right angles to the preceding course, 250.0 feet to the point and place of beginning. The area whereof is 62,500 square feet or 1.4348 Acres.

The coordinates and bearings mentioned in the four (4) parcels hereinabove described in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59′-13.5″ east of true north.

Together with the overhead, surface, sub-surface and sub-marine easements necessary for the operation, maintenance, repair and reconstruction of the power

and telephone lines and ducts required for the proper operation of the facilities lying within the above described parcels and all accessories thereto.

Together with the right of access thereto.

ITEM 3

All that certain piece or parcel of land and premises, situate, lying and being in the Borough and County of Bronx, in the City and State of New York, between Havemeyer and Zerega Avenues and between Randall and Seward Avenues, more particularly bounded and described as follows:

Beginning at a point which is the intersection of the easterly line of Havemeyer Avenue (legally opened 80 feet in width) with the northerly line of Randall Avenue (legally opened 80 feet in width) and running thence (1) Northwardly, along said easterly line of Havemeyer Avenue, 700.00 feet to the southerly line of Seward Avenue (80 feet in width as laid out on the City Plan and not legally opened); thence (2) Eastwardly, along said southerly line of said Seward Avenue, 780.08 feet to the westerly line of Zerega Avenue (legally opened to 80 feet in width); thence (3) Southwardly, along said westerly line of Zerega Avenue aforesaid, 700.00 feet to said northerly line of Randall Avenue; thence (4) Westwardly, along said northerly line of Randall Avenue, 780.08 feet to the point and place of beginning. The area whereof is 546,056 square feet or 12.54 Acres.

ITEM 4

All that certain piece or parcel of land and premises situate, lying and being in the Borough and County of Queens, in the City and State of New York, on Rulers Bar Hassock, more particularly bounded and described as follows:

Beginning at a point in the westerly line of Cross Bay Boulevard, as laid down on Alteration Map 2746 of the Borough of Queens, adopted by the Board of Estimate and Apportionment of the City of New York on April 11, 1940, 114.00 feet in width at this location, the coordinates of said point being South 67347.661, East 63349.321, and running thence (1) Southeastwardly, along said westerly line of Cross Bay Boulevard, 2700.00 feet to a point therein, the coordinates of which are South 69374.488, East 65133.129; thence (2) Southwestwardly, at right angles to the preceding course, 300.00 feet to a point the coordinates of which are South 69572.689, East 64907.926; thence (3) Northwestwardly, at right angles to the preceding course, 2700.00 feet to a point the coordinates of which are South 67545.862, East 63124.118; thence (4) Northeastwardly, at right angles to the preceding course and at right angles to course numbered one (1) hereinabove described in this description, 300.00 feet to the point and place of beginning. The area whereof is 810,000 square feet or 18.595 acres.

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The coordinates hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

ITEM 5

All that certain piece or parcel of land and premises, situate, lying and being in the Borough and County of Queens, in the City and State of New York, between 55th Avenue and 55th Drive produced eastwardly and between 48th Street and 50th Street.

Beginning at a point which is the corner formed by the intersection of the southerly line of 55th Avenue (widened to 70 feet width) with the easterly line of 48th Street (60 feet width) and running thence (1) North 76°-49'-45" East, along said southerly line of 55th Avenue aforesaid, 379.66 feet to the corner formed by the intersection of said southerly line of 55th Avenue aforesaid with the westerly line of 50th Street (70 feet width); thence (2) Southeastwardly, along said westerly line of 50th Street aforesaid and along a line which makes an interior angle of 99°-23'-15.8" with the preceding course, 415.98 feet to the prolongation westwardly of the northerly line of 55th Drive (60 feet width); thence (3) Southwestwardly, along said northerly line of 55th Drive aforesaid and along a line which makes an interior angle of 80°-43'-20.7" with the preceding course, 447.51 feet to said easterly line of 48th Street; thence (4) Northwestwardly, along said easterly line of 48th Street aforesaid and along a line which makes an interior angle of 89°-53'-23.5" with the preceding course, at right angles to said southerly line of 55th Avenue aforesaid, 411.27 feet to the point and place of beginning, containing 169,931 square feet or 3.90 acres.

The bearing hereinabove mentioned in the description of this item refers to grid north established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

The streets and avenues referred to hereinabove in this description are laid down on Alteration Map 3405 in a Communication to the Board of Estimate and Apportionment on February 2, 1950 and referred to the Planning Commission of the City of New York on February 9, 1950.

ITEM 6

All that certain piece or parcel of land and premises situate, lying and being in the Borough and County of Queens, in the City and State of New York, on Rulers Bar Hassock in Jamaica Bay, more particularly bounded and described as follows:

Beginning at a point in the southwesterly line of Cross Bay Boulevard (114.00 feet width), the coordinates of said point being South 70230.16, East 65948.36 and run-

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ning thence (1) Southeastwardly, along said southwesterly line of Cross Bay Boulevard and along the arc of a circle of 4557.00 feet radius, the center of said arc lying to the northeast, said arc being subtended by a central angle of 4°-09'-22.8", the tangent to said arc making an interior angle of 87°-52'-36.6" with course numbered four (4) hereinafter described in this description at its intersection with said course numbered four (4), an arc distance of 330.57 feet to a point on an arc in said southwesterly line of Cross Bay Boulevard, the coordinates of said point being South 70435.28, East 66207.50; thence (2) Southwestwardly, along a line which makes an interior angle of 87°-43'-24.6" with the tangent to the preceding arc at its intersection therewith, 300.00 feet to a point the coordinates of which are South 70669.86, East 66020.49; thence (3) Northwestwardly, along a line which makes an interior angle of 90°-11'-55.2" with the preceding course, 329.23 feet to a point the coordinates of which are South 70465.53, East 65762.35; thence (4) Northeastwardly, along a line which makes an interior angle of 90°-02'-40.8" with the preceding course, 300.00 feet to the point and place of beginning. The area whereof is 98,299 square feet or 2.257 Acres.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

Together with the overhead, surface and sub-surface easements necessary for the operation, maintenance, repair and reconstruction of the power and telephone lines and ducts required for the proper operation of the facilities lying within the above described parcel and all accessories thereto.

Said Cross Bay Boulevard being laid down on Alteration Map 2746, adopted by the Board of Estimate and Apportionment of the City of New York on April 11, 1940.

ITEM 7

Parcels for Piers:

A permit for the construction, reconstruction, maintenance, repair and operation of a pier for approach lighting to Runway "C" at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York in that area more particularly bounded and described as follows:

Pier for Approach Lighting to Runway "C" at New York International Airport

Beginning at a point in the proposed U. S. Pierhead and Bulkhead Line, distant 74.83 feet northwestwardly from the center line of Runway "C" at New York International Airport as aforesaid, measured at right angles thereto, the coordinates of said point being South 61273.932, East 71521.607, and running thence (1) South

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31°-39'-00" West parallel with said center line of said Runway "C" distant 74.83 feet northwestwardly therefrom as aforesaid, parallel with the center line of the Pier for Approach Lighting to said Runway "C", distant 50.00 feet southeastwardly therefrom measured at right angles thereto, 1908.81 feet to a point the coordinates of which are South 62898.844, East 70519.999; thence (2) North 58°-21'-00" West, at right angles to the preceding course, 100.00 feet to a point the coordinates of which are South 62846.371, East 70434.872, said point being distant 50.00 feet northwestwardly from said center line of said Pier aforesaid, measured at right angles thereto; thence (3) North 31°-39'-00" East, parallel with said center line of said Pier and distant 50.00 feet northwestwardly therefrom as aforesaid, at right angles to the preceding course, 1852.51 feet to a point in said U. S. Pierhead and Bulkhead Line, the coordinates of said point being South 61269.388, East 71406.936; thence (4) South 87°-43'-49.2" East, along said U. S. Pierhead and Bulkhead Line aforesaid, 114.76 feet to the point and place of beginning. The area whereof is 183,066 square feet or 4.203 Acres.

A permit for the construction, reconstruction, maintenance, repair and operation of piers for approach lighting to Runway "V" and Middle Marker at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York in all those areas more particularly bounded and described as follows:

Piers for Approach Lighting to Runway "V" at New York International Airport

Beginning at a point in the proposed U. S. Pierhead and Bulkhead Line, the coordinates of said point being South 61413.92, East 75053.66 and running thence (1) South 87°-43'-49.2" East along said Pierhead and Bulkhead Line, 320.00 feet to a point therein the coordinates of which are South 61426.59, East 75373.41; thence (2) South 0°-51'-00" East, 1679.51 feet to a point the coordinates of which are South 63105.92, East 75398.33; thence (3) North 89°-15'-26.6" West, 440.53 feet to a point the coordinates of which are South 63100.21, East 74957.83; thence (4) North 4°-09'-00" East, 1082.78 feet to a point the coordinates of which are South 62020.28, East 75036.19; thence (5) North 1°-39'-00" East, 606.60 feet to the point and place of beginning. The area whereof is 625,675 square feet or 14.36 Acres.

Middle Marker Parcel

Beginning at a point in Jamaica Bay the coordinates of which are South 63885.25, East 75113.16 and running thence (1) South 88°-21'-00" East, 100.00 feet to a point the coordinates of which are South 63888.13, East 75213.12; thence (2) South 1°-39'-00" West, 100.00 feet to a point the coordinates of which are South 63988.09, East 75210.24; thence (3) North 88°-21'-00" West, 100.00 feet to a point the coordinates of

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which are South 63985.21, East 75110.28; thence (4) North 1°-39'-00" East, 100.00 feet to the point and place of beginning. The area whereof is 10,000 square feet or 0.23 Acres.

Together with the necessary rights for a sub-marine cable extending from the Parcel entitled "Pier for Approach Lighting to Runway 'V' at New York International Airport" to the Parcel entitled "Middle Marker Parcel".

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

ITEM 8

All that certain plot, piece or parcel of land, situate, lying and being in the Fifth Ward of the Borough and County of Queens, City and State of New York, bounded and described as follows:

Beginning at the northeasterly corner of Barbadoes Basin, as same is determined by the United States Pierhead and Bulkhead lines, running thence along the northerly line of Barbadoes Basin, as so determined, North 57 degrees, 21 minutes West 1039.70 feet, thence continuing along same, North 46 degrees, 27 minutes West 416 feet to the bulkhead of Brant Channel or Jamaica Bay, thence along said last mentioned bulkhead the following courses and distances, (1) North 8 degrees, 47 minutes East 21 feet, (2) North 35 degrees, 30 minutes East 880 feet, (3) North 77 degrees 7 minutes East 44.50 feet, (4) South 50 degrees, 54 minutes East 808.70 feet, (5) South 21 degrees, 6 minutes East 255.90 feet, (6) South 3 degrees, 6 minutes West 228.60 feet, (7) South 70 degrees, 14 minutes West 168 feet to the corner of a basin, running thence southwesterly through a point on the northeasterly side of Amstel Boulevard (60 feet wide) which point is distant 30.08 feet southeasterly from the corner formed by the intersection of the southeasterly side of Crugers Road with the northeasterly side of Amstel Boulevard, to a point in the centre line of said Amstel Boulevard, thence southeasterly along said centre line of said Amstel Boulevard to a point where same is intersected by a line drawn northerly at right angles to the southerly side of Amstel Boulevard (80 feet wide) from a point thereon distant 161.86 feet westerly from the westerly side of Beach 75th Street; thence southerly at right angles to the southerly side of Amstel Boulevard (80 feet wide) 40 feet more or less to a point thereon distant 161.86 feet westerly from the westerly side of Beach 75th Street and running thence southerly 158.85 feet to the point or place of beginning.

Together with all right, title and interest of the City of New York of, in and to the land lying in the bed of streets in front of and adjoining the above-described

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premises to the center lines thereof. Together with all of the right, title and interest of the City of New York of, in and to the lands under the waters of Brant Channel and Jamaica Bay, in front of and adjacent to the above described premises, so far as said right, title and interest may extend.

Together with the overhead, surface and sub-surface easements necessary for the operation, maintenance, repair and reconstruction of the power and telephone lines, ducts and other utilities required for the proper operation of the facilities lying within the above described parcel and all accessories thereto.

ITEM 9

All those perpetual overhead, surface and sub-surface easements necessary for the proper operation, maintenance and repair of Lights to Guide Aircraft approaching LaGuardia Field, situate, lying and being in the Borough and County of Queens, in the City and State of New York, within the following described parcels:

Parcel 1 (Poles I, 12, J, K, 13, L, M, 14, N, O, 15, P, Q, R, S and T with sub-surface cables in bed of 25th Avenue)

Beginning at a point in the easterly line of 77th Street, distant 168.55 feet northwardly thereon from the corner formed by the intersection of said easterly line of 77th Street with the northerly line of 30th Avenue and running thence (1) Northwardly, along said easterly line of 77th Street, and along a line which makes an interior angle of 40°-00'-00" with course numbered eight (8) hereinafter described in this description, 7.78 feet; thence (2) Northeastwardly, along a line which makes an interior angle of 140°-00'-00" with the preceding course, 1005.70 feet to the southwesterly line of lot numbered 22 in block numbered 1043; thence (3) Southeastwardly, along said southwesterly line of said lot numbered 22 aforesaid, and along a line which makes an interior angle of 62°-50'-26.5" with the preceding course, 5.62 feet to a point distant 184.41 feet northwestwardly measured along said lot line from its intersection with the westerly line of 80th Street, said intersection being distant 101.52 feet northwardly along said westerly line of 80th Street from the corner formed by the intersection of said westerly line of 80th Street with northerly line of 25th Avenue; thence (4) Southwestwardly, parallel with course numbered two (2) hereinabove described in this description and along a line which makes an interior angle of 117°-09'-33.5" with the preceding course, 419.80 feet to a point distant 20.00 feet northwardly from the southerly line of 25th Avenue, measured at right angles thereto; thence (5) Eastwardly, parallel with said southerly line of 25th Avenue, and along a line which makes an interior angle of 310°-09'-00" with the preceding course, 341.20 feet to a point in the prolongation of said westerly line of 80th Street; thence (6) Southwardly, along said prolongation of said westerly line of 80th Street

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at right angles to the preceding course, 5.00 feet; thence (7) Westwardly, parallel to said southerly line of 25th Avenue, distant 15.00 feet northwardly therefrom, measured at right angles thereto, at right angles to the preceding course, 345.40 feet; thence (8) Southwestwardly, parallel with course numbered two (2) hereinabove described in this description and along a line which makes an interior angle of 230°-00'-00" with the preceding course, 582.80 feet to the point and place of beginning, containing 6,750 square feet more or less or 0.1550 acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcel.

The streets and avenues referred to hereinabove in this description are laid down on the maps showing street system for the territory designated as Sections 8 and 9 of the Final Maps of the Borough of Queens, which maps were adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912 and February 8, 1912, respectively.

Parcel 2 (Pole H)

Beginning at a point in the westerly line of 80th Street, distant 275.5 feet southwardly thereon from the corner formed by the intersection of said westerly line of 80th Street with the southerly line of 24th Avenue and running thence (1) Southwardly, along said westerly line of 80th Street, 5.0 feet; thence (2) Westwardly, parallel with said southerly line of 24th Avenue, 37.5 feet; thence (3) Northwardly, parallel with said westerly line of 80th Street, 5.0 feet; thence (4) Eastwardly, parallel with said southerly line of 24th Avenue, 37.5 feet to the point and place of beginning, containing 188 square feet more or less or 0.0043 Acres.

Parcel 3 (Pole 10)

Beginning at a point in the easterly line of 80th Street, distant 94.5 feet southwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the southerly line of 24th Avenue and running thence (1) Eastwardly, parallel with said southerly line of 24th Avenue, 50.0 feet; thence (2) Southwardly, parallel with said easterly line of 80th Street, 5.0 feet; thence (3) Westwardly, parallel with said southerly line of 24th Avenue, 50.0 feet to said easterly line of 80th Street; thence (4) Northwardly, along said easterly line of 80th Street, 5.0 feet to the point and place of beginning, containing 250 square feet more or less or 0.0057 Acres.

Parcel 4 (Pole E)

Beginning at a point in the southerly line of 24th Avenue, distant 94.0 feet eastwardly thereon from the corner formed by the intersection of said southerly line of 24th Avenue with the easterly line of 80th Street and running thence (1) Eastwardly,

along said southerly line of 24th Avenue, 5.0 feet; thence (2) Southwardly, parallel with said easterly line of 80th Street, 58.0 feet; thence (3) Westwardly, parallel with said southerly line of 24th Avenue, 5.0 feet; thence (4) Northwardly, parallel with said easterly line of 80th Avenue, 58.0 feet to the point and place of beginning, containing 290 square feet more or less or 0.0067 Acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcels.

The street and avenue referred to in the descriptions of Parcels 2, 3 and 4 hereinabove are laid down on the "Map showing Street system for the territory designated as Section 8 of the Final Maps of the Borough of Queens," which map was adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912.

Parcel 5 (Pole C)

Beginning at a point in the westerly line of 82d Street, distant 105.5 feet northwardly thereon from the corner formed by the intersection of said westerly line of 82d Street with the northerly line of Astoria Boulevard (130 feet width) and running thence (1) Westwardly, at right angles to said westerly line of 82d Street, 95.0 feet; thence (2) northwardly, at right angles to the preceding course 5.0 feet; thence (3) Eastwardly, at right angles to said westerly line of 82d Street, 95.0 feet to said westerly line of 82d Street; thence (4) Southwardly, along said westerly line of 82d Street, 5.0 feet to the point and place of beginning, containing 475 square feet more or less or 0.0109 Acres.

Parcel 6 (Pole G)

Beginning at a point in the easterly line of 82d Street, distant 80.0 feet Southwardly thereon from the corner formed by the intersection of said easterly line of 82d Street with the southerly line of Grand Central Parkway and running thence (1) Eastwardly, at right angles to said easterly line of 82d Street, 65.0 feet; thence (2) Southwardly, at right angles to the preceding course, 5.0 feet; thence (3) Westwardly, at right angles to said easterly line of 82d Street, 65.0 feet to said easterly line of 82d Street; thence (4) Northwardly, along said easterly line of 82d Street, 5.0 feet to the point and place of beginning, containing 325 square feet more or less, or 0.0075 Acres.

Parcel 7 (Pole A)

Beginning at a point in the southerly line of Grand Central Parkway, distant 96.28 feet westwardly thereon from the corner formed by the intersection of said southerly line of Grand Central Parkway with the westerly line of 83d Street and

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running thence (1) Southwardly, parallel with said westerly line of 83d Street, 58.48 feet; thence (2) Westwardly, at right angles to the preceding course, 5.0 feet; thence (3) Northwardly, parallel to said westerly line of 83d Street, 57.42 feet to said southerly line of Grand Central Parkway; thence (4) Eastwardly, along said southerly line of Grand Central Parkway, 5.11 feet to the point and place of beginning, containing 290 square feet more or less or 0.0067 Acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcels.

The streets, boulevard and parkway referred to in the descriptions of Parcels 5, 6 and 7 hereinabove are laid down on the "Map showing street system for the territory designated as Section 8 of the Final Maps of the Borough of Queens," which map was adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912.

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THE CITY OF NEW YORK

and

THE PORT OF NEW YORK AUTHORITY

THIRD SUPPLEMENTAL AGREEMENT

With Respect to

MUNICIPAL AIR TERMINALS

Dated May 28, 1956

Agreement (hereinafter referred to as "Third Supplemental Agreement") made as of this 28th day of May, 1956, by and between The City of New York, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and The Port of New York Authority, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

Witnesseth, That:

Whereas, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5), and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

Whereas, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

Whereas, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

Whereas, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

Now, Therefore, for and in consideration of the agreements and covenants herein contained the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

I. Definitions

Except as hereinafter expressly provided any words or phrases used in this Third Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. Discharge of Obligation of City to Acquire Parcel 6—New York International Airport

The City is hereby wholly relieved and discharged of its obligation under the Original Agreement, as modified by the Second Supplemental Agreement, to acquire by condemnation the parcel designated as "6" and shown colored in yellow and by hatching on Supplemental Map II-A annexed to the Second Supplemental Agreement. There shall be no reduction in rent or in the Port Authority's obligation under paragraph 19 of the Original Agreement by reason of this discharge and release of the above described obligation of the City.

III. Nassau Expressway—New York International Airport

Section 2 of the Original Agreement as amended and supplemented by the Second Supplemental Agreement is hereby amended by substituting the following in the place and stead of the last paragraph thereof:

> "If within ten (10) years from the date of the Second Supplemental Agreement the construction of Nassau Expressway has been authorized and actually started the Port Authority hereby consents to the reduction of the demised premises to the extent of the strip shown colored in orange and by hatching on Supplemental Map II-A annexed to the said Second Supplemental Agreement, *provided*, that said strip shall be held by the City for and during the term for which the demised premises are leased, for street, park or expressway purposes and for no other purpose or purposes whatsoever, and *provided, further,* that access between the Expressway and the demised premises shall be provided at the two points designated as 'Access No. 1' and 'Access No. 2' on said Supplemental Map No. II-A and that traffic interchange facilities between said Expressway, the intersecting streets and the demised premises shall be provided at the two points designated as 'Traffic Interchange No. 1' and 'Traffic Interchange No. 2'

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on said Supplemental Map II-A. The Port Authority shall have the right at its own cost and expense to install and maintain in and under the Expressway such utility facilities as it shall deem necessary in connection with its use of the demised premises whether the same shall be installed before, during or after the construction of the Expressway, *provided,* that they shall be located therein and thereunder at places agreed upon between the City and the Port Authority and shall be installed pursuant to plans and specifications which shall be subject to approval by the Chief Engineer of the Board of Estimate (which approval shall not be unreasonably withheld), *provided, further,* that the Port Authority shall proceed with the work of installing such utility facilities in such manner as to minimize, as much as it reasonably can, interference with vehicular traffic upon said Expressway and shall, without cost or expense to the City, and with reasonable promptness after the completion of the work of installing such utility facilities, restore to as good a condition as existed immediately prior to the commencement of the work, so much of the improved surface of the Expressway as may be damaged by such work. All work of protecting in place and relocating such utility facilities by reason of the Expressway construction shall be done without cost or expense to the Port Authority."

IV. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement is hereby amended and supplemented by adding as Item 10 thereof the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as amended and supplemented hereby.

V. SURRENDER OF PORTION OF DEMISED PREMISES—NEW YORK INTERNATIONAL AIRPORT—ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit: during the term for which the demised premises are leased,

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1. the Port Authority and the Civil Aeronautics Administration shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority for the safe and efficient operation of New York International Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and the Civil Aeronautics Administration, its and their duly designated employees, contractors and agents shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such approach lighting systems, other aids to avigation, and facilities incidental thereto; any facilities so installed by the Port Authority shall at all times be maintained by it without cost to the City;

2. the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of New York International Airport or the normal flight operations of aircraft; the City shall, at the request of the Port Authority, abate any smoke or vapor; the City shall not erect or install any structure, building, tower, pole, wire or other object or installation or portion thereof, the construction, maintenance or operation of which would constitute a hazard to avigation without the prior approval of the Port Authority; the City shall not, except with the express written consent of the Port Authority, furnish any services or operate any facility upon the said premises for the accommodation and convenience of its invitees and employees or those of its contractors, agents, licensees, and permittees which would be or tend to be competitive with the furnishing of services or the operation of facilities at New York International Airport by the Port Authority or its tenants, licensees, permittees or agents for the accommodation and convenience of its and their invitees and employees, *provided, however,* that the City may, without the express written consent of the Port Authority but subject to the other conditions of this surrender, provide, operate, maintain or permit the operation and maintenance of:

(a) recreational facilities suitable for use for picnicking, boating, baseball, softball, court games, tennis and playground activities;

(b) facilities for the parking of motor vehicles of persons using the aforesaid recreational facilities; and

(c) such restaurant and/or "snack bar" facilities as are usually provided for the accommodation and convenience of persons using such recreational facilities as are above described;

and the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated and maintained by or on behalf of the Port Authority or the Civil Aeronautics Administration;

3. the Port Authority may permit the occupants of the various buildings within the premises herein surrendered to remain in occupancy thereof and the Port Authority shall have the right to continue to collect and retain for its own account the payments for use and occupancy or the rents therefor until such time as the Port Authority shall terminate said occupancies and demolish or remove said buildings from said premises, *provided,* that, upon ninety (90) days' written notice from the City, the Port Authority shall take all reasonably practicable steps to terminate any occupancy and demolish or remove any building which may be specified in any such notice, *provided, further,* however, that, inasmuch as the building situated within Lot 64 of Block 13435 of Section 56 of the Tax Map of The City of New York for the Borough of Queens, as said Tax Map was on May 25, 1953, is being used in connection with operations at New York International Airport, no such notice shall be given by the City with respect to the termination of said occupancy or the demolition or removal of said building during the six month period beginning on the date of execution of this Third Supplemental Agreement. The Port Authority shall have the right to collect and retain for its own account the proceeds of the sale of such buildings and the fixtures therein contained; and

4. the City shall not place fill in or upon the premises surrendered in accordance with Section V of this Third Supplemental Agreement or place any structures thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, *provided,* that such approval shall not be withheld unreasonably.

VI. Surrender of Surplus Parcel—Item 5—Substituted Schedule A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described as Item 5 in the Substituted Schedule A attached to the Second Supplemental Agreement, and all the estate, right, title, interest, term of years, property, claims and demands whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever.

VII. Rent

There shall be no reduction in rent or the Port Authority's obligations under the agreement with respect to Municipal Airports as amended and supplemented by reason of the release or surrender of any of the premises herein provided for.

In Witness Whereof, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

Thomas A. Levane (Sgd.)
Acting City Clerk

(Seal)

The City of New York

Robert F. Wagner (Sgd.)
Mayor

Attest:

Joseph G. Canty (Sgd.)
Secretary

(Seal)

The Port of New York Authority

Austin J. Tobin (Sgd.)
Executive Director

Approved as to Form

Peter Campbell Brown (Sgd.)
Corporation Counsel

Approved as to Form

Sidney Goldstein (Sgd.)
General Counsel

SWA H E O'D

R C S

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STATE OF NEW YORK
COUNTY OF NEW YORK } ss.:
CITY OF NEW YORK

On this 31st day of May, 1956, before me personally came THOMAS A. LEVANE, with whom I am personally acquainted, and known to me to be the Acting City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn, did depose and say that he resides at 25 Indian Road, Borough of Manhattan, City of New York; that he is the Acting City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Estimate, and that he signed his name thereto as Acting City Clerk by like authority; and further that he knows and is acquainted with ROBERT F. WAGNER, and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said THOMAS A. LEVANE, that he executed the same, and he, the said THOMAS A. LEVANE thereupon subscribed his name thereto.

JOSEPH A. FANELLI (Sgd.)
Notary Public
JOSEPH A. FANELLI
Commissioner of Deeds, City of New York
New York County Clerk's No. 19
Commission Expires March 15, 1957.

(SEAL)

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 11th day of May, 1956, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at 320 Central Park West, New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY; and that he signed his name thereto by like order.

SHICKREY ANTON (Sgd.)
SHICKREY ANTON
Notary Public, State of New York
No. 30-0081525
Qualified in Nassau County
Commission Expires March 30, 1957

(SEAL)

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SUPPLEMENT TO SUBSTITUTED SCHEDULE A

ITEM 10

All those lots, pieces or parcels of land, with the buildings and improvements thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL A

BEGINNING at a point which is the intersection of the northerly line of Rockaway Boulevard as now legally opened with the southerly extension of the center line of Walbridge Street (now sometimes known as Springfield Boulevard) as shown on the "Map of the Higbie Addition, Sheffield Manor, 4th Ward, Borough of Queens" surveyed July 1906 by Alex D. Murphy and amended for the Title Guarantee & Trust Company by E. W. Conklin, surveyed December 1906 and filed as Map #135 in the Register's Office, County of Queens and running thence

(1) northwardly, along said center line of Walbridge Street as extended and along said center line of Walbridge Street 1580 feet more or less to an extension of the southerly line of Lot 25 in Block 17 as shown on said Map of the Higbie Addition; thence

(2) eastwardly, along said southerly line of Lot 25 and the extension thereof 132 feet more or less to the westerly line of lands now or formerly of George Wagner being also the easterly line of Lot 26 in Block 17 as shown on said Map of the Higbie Addition; thence

(3) southwardly, along said westerly line of lands now or formerly of George Wagner 10 feet more or less to a point in the southerly line of said lands now or formerly of George Wagner; thence

(4) eastwardly, along said southerly line of lands now or formerly of George Wagner being also the northerly line of lands now or formerly of J. & S. Jeanetti and along the extension thereof 260 feet more or less to the center line of Springfield Lane (60 foot width) as shown on the "Map of Kinsey Park, Property of Land Estates Incorp. situated at Springfield in the Fourth Ward, Borough of Queens, City and State of New York" surveyed April 27, 1922, by Raymond Page, City Surveyor, and filed as Map #4286 in the Register's Office, County of Queens; thence

(5) along said center line of Springfield Lane (60 foot width) 6 feet more or less to an extension of the southerly line of lands now or formerly of Herbert H. Reynolds, being also an extension of the southerly line of Lot 29 in Block 1 as shown on said Map of Kinsey Park; thence

(6) eastwardly, along the southerly line of lands now or formerly of Herbert H. Reynolds, Joseph Hallahan and Mary Bazzano and the extension thereof being also the southerly line of Lots 29 and 30 in Block 1, Lots 15 and 42 in Block 2 and the extension thereof as shown on said Map of Kinsey Park 518 feet more or less to the easterly line of 207th Street as shown on said Map of Kinsey Park; thence

(7) southwardly, along said easterly line of 207th Street 22 feet more or less to the southerly line of lands now or formerly of Lottie Johannsen being also the southerly line of Lot 31 in Block 3 as shown on said Map of Kinsey Park; thence

(8) eastwardly, along said southerly line of lands now or formerly of Lottie Johannsen being also the southerly line of Lots 31 and 43 in Block 3 as shown on said Map of Kinsey Park and along the extension thereof 220 feet more or less to the center line of 208th Street (80 foot width) as shown on said Map of Kinsey Park (sometimes known as 225th Street); thence

(9) southwardly, along said center line of 208th Street 78 feet more or less to an extension of the southerly line of lands now or formerly of Theodore Wagenblast being also an extension of the southerly line of Lot 17 in Block 5 as shown on said Map of Kinsey Park; thence

(10) eastwardly, along said southerly line of Theodore Wagenblast and its extension 130 feet more or less to the westerly line of lands now or formerly of Chiarina Regolini being also the westerly line of Lots 25, 26, 27, 28 and 29 in Block 5 as shown on said Map of Kinsey Park; thence

(11) southwardly, along said westerly line of lands now or formerly of Chiarina Regolini a distance of 120 feet more or less to the southerly line of lands now or formerly of Chiarina Regolini being also the southerly line of Lot 25 in Block 5 as shown on said Map of Kinsey Park; thence

(12) eastwardly, along said southerly line of lands now or formerly of Chiarina Regolini, Salvatore and Anthony Simonetti and the White Co. being also the southerly line of Lot 25 in Block 5, Lots 21, 22 and 23 in Block 7 and Lots 18, 19 and 20 in Block 9 all as shown on said Map of Kinsey Park a distance

of 660 feet more or less to the center line of 211th Street (60 foot width) as shown on said Map of Kinsey Park; thence

(13) southwardly, along an extension of said center line of 211th Street as shown on said Map of Kinsey Park 2040 feet more or less to the northerly line of Rockaway Boulevard as now legally opened; thence

(14) westwardly, along said northerly line of Rockaway Boulevard 1820 feet more or less to the point and place of BEGINNING.

PARCEL B

BEGINNING at a point which is the intersection of the extension of the center line of 215th Street (60 foot width) as shown on the "Map of Jamaica Gardens South, 4th Ward, Borough of Queens, New York City" surveyed Feb. 1, 1924 by Evans Bros., and filed as Map #4507 in the Register's Office, Queens County, with the extension of the center line of 149th Avenue (80 foot width) as shown on said Map of Jamaica Gardens South, and running thence

(1) southwardly, along said center line of 215th Street and the extension thereof, 1832 feet more or less to the northerly line of Rockaway Boulevard as now legally opened; thence

(2) eastwardly, along said northerly line of Rockaway Boulevard, 1851 feet more or less to the center line of 238th Street (60 foot width) as shown on a map entitled "City of N. Y., Borough of Queens, Office of the President, Topographical Bureau, Map No. 3091, The Relocation of Rockaway Boulevard, in the Fourth Ward, New York, Aug. 5, 1948," etc., filed in the Register's Office, Queens County as Map #8131; thence

(3) northwardly, along said center line of 238th Street and along the extension thereof, parallel with course numbered one (1) hereinabove described 1370 feet; thence

(4) eastwardly, at right angles to the preceding course, 265 feet; thence

(5) northwardly, at right angles to the preceding course, 410 feet more or less to a point in the westerly line of Brookville Boulevard as now legally opened, formerly known as Foster's Meadow Road; thence

(6) northwardly, along said westerly line of Brookville Boulevard, 775 feet more or less to the center line of John Street (40 foot width) as shown on a

map entitled "E. E. Meacham & Sons, South Rosedale, Fourth Ward, Borough of Queens, Surveyed and Subdivided by H. S. Thomson, City Surveyor," dated Feb. 1st, 1907, and filed in the Register's Office, Queens County as Map #989 (old) and 1183 (new); thence

(7) westwardly, along said center line of John Street and along a line in extension thereof, 595 feet more or less to the intersection with a line in extension of the center line of 149th Avenue as shown on said Map of Jamaica Gardens South; thence

(8) westwardly, along said extension of the center line of 149th Avenue and along said center line of 149th Avenue, 1073 feet more or less to the point and place of BEGINNING.

PARCEL C

ALL that certain plot, piece or parcel of land situate, lying and being at or near Springfield, in the 4th Ward, Borough of Queens, County of Queens, City and State of New York, bounded and described as follows:

BEGINNING at a stake driven in the ground where the northeasterly side of Rockaway Boulevard (formerly Turnpike) intersects the center line of an old ditch which said center line of said ditch is the southeasterly line of land now or formerly of John L. Compton; thence from said point of beginning running thence North 20 degrees 20 minutes East along the center line of said ditch 373.76 feet to a stake driven in the ground at a point where said center line of said ditch intersects the center line of another certain old ditch; thence North 62 degrees 56 minutes 20 seconds East along the center line of said last mentioned ditch through a stake, a line of old posts and old stake and another stake, along the southerly line of land now or formerly of Kornville, Isaac Baylis & Nicholas Clement, respectively, 1356 feet more or less to a small brook adjoining the southwesterly line of land now or formerly of Nicholas Ludlum; thence Easterly, Southeasterly, Easterly and Southeasterly, along the center line of said small brook adjoining the land now or formerly of said Ludlum as it winds and turns, 275 feet more or less to a point where the same is intersected by the center line of another certain old ditch adjoining the land now or formerly of Burdett C. Douglas; thence South 67 degrees 25 minutes 5 seconds West through an old stake and center line of a ditch adjoining the northerly line of land now or formerly of said Douglas 1456 feet more or less to a point where said center line of said last mentioned ditch intersects the center line of a certain slough or creek adjoining the westerly line of land of said Douglas; thence Southerly, Southeasterly and Southwesterly along the center line of the last men-

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tioned creek and along the westerly line of now or formerly Douglas, land now or formerly of Wright B. Higbie and land formerly of Derrick Remsen, 255 feet more or less to a point where the same is intersected by the northwesterly boundary line of land now or formerly of Frank Muller; thence South 17 degrees 29 minutes West through a stake in said line of land of Muller 243 feet more or less to a stake in the ground on the northeasterly side of Rockaway Boulevard; and thence North 45 degrees 55 minutes West along the said northeasterly side of Rockaway Boulevard 250.8 feet to the point or place of BEGINNING.

SUBJECT, however, to the following:

1. Outstanding title in any of the parcels herein in the People of the State of New York and liens and encumbrances in favor of the People of the State of New York which reduce the estate or interest of any of the former owners.

2. Encroachments, if any, upon the premises herein described of any structures and appurtenances standing or maintained partly upon the premises herein described and partly upon adjoining premises.

3. Any state of facts which an accurate survey may show.

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

FOURTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated November 6, 1958

AGREEMENT (hereinafter referred to as "Fourth Supplemental Agreement") made as of this 6th day of [illegible], 1958, by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

WITNESSETH, That:

WHEREAS, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5) and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

WHEREAS, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authoriz by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

WHEREAS, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

WHEREAS, under date of May 28, 1956, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Third Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Third Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on April 26, 1956 (Cal. No. 111) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 10, 1956, and

WHEREAS, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

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I. DEFINITIONS

Except as hereinafter expressly provided any words or phrases used in this Fourth Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement and amended and supplemented by the Third Supplemental Agreement is hereby further amended and supplemented by adding as Items 11, 12 and 13 thereof, the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as substituted by the Second Supplemental Agreement, amended and supplemented by the Third Supplemental Agreement and as amended and supplemented hereby.

III. SURRENDER OF PORTION OF DEMISED PREMISES - LA GUARDIA AIRPORT - ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in Item 13 of the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit during the term for which the demised premises are leased,

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1. the Port Authority and the Civil Aeronautics Administration shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority or of the Civil Aeronautics Administration for the safe and efficient operation of La Guardia Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and the Civil Aeronautics Administration, its and their duly designated employees, contractors and agents shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such approach lighting systems, other aids to avigation, and facilities incidental thereto;

2. the City shall use the premises herein surrendered for park purposes and for no other purpose whatseever; the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of La Guardia Airport or the safe and unrestricted passage of aircraft in and over the same; the City shall abate any smoke or vapor, at the request of the Port Authority; the City shall not erect, install or maintain any structure, building, tower, pole, wire or other object the construction, maintenance or operation of which would constitute a hazard to avigation in the opinion of the Port Authority;

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3. the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated or maintained by or on behalf of the Port Authority or the Civil Aeronautics Administration; and

4. the City shall not place fill in or upon the premises surrendered by Section III of this Fourth Supplemental Agreement or place any structures or buildings thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, provided that such approval shall not be withheld unreasonably.

IV. SURRENDER OF SURPLUS PARCEL - ITEM 9 - SUBSTITUTED SCHEDULE A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described as Item 9 in the Substituted Schedule A attached to the Second Supplemental Agreement and all the estate, right, title, interest, term of years, property claims and demands whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lea agreement, to have and to hold said premises herein surrendered unt the City, its successors and assigns forever.

V. LEASE OF ADDITIONAL DEMISED PREMISES - NEW YORK INTERNATIONAL AIRPORT - LANDS UNDER WATER

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City, for air terminal purposes and for purposes incidental thereto, so much of the additional lands shown by hatching on the map of New York International Airport annexed hereto marked "Supplemental Map II-B" as are owned by the City, to have and to hold unto the Port Authority from the date of this Fourth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in the said Original Agreement.

In the event that it should be necessary for an application to be made to the State of New York to remove any cloud upon the title of the City with respect to said premises, the City shall cooperate with the Port Authority with respect to any and all applications, measures or other action appropriate for the effectuation of said purpose.

VI. RENT

There shall be no reduction in rent or the Port Authority's obligations under the agreement with respect to the Municipal Air Terminals as amended and supplemented by reason of the release or surrender of any of the premises herein provided for.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this

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Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

/s/ [illegible]
City Clerk

THE CITY OF NEW YORK

/s/ [illegible]
Deputy Mayor

Attest:

/s/ [illegible]
Secretary

THE PORT OF NEW YORK AUTHORITY

/s/ [illegible]
Executive Director

Approved as to Form

[illegible]
Corporation Counsel

(Contract)

Approved as to Form

/s/ [illegible]
Asst. General Counsel

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss:

On this 6th day of November, 1958, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at 320 Central Park West, New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY and that he signed his name thereto by like order.

/s/ ALBERT J. BUCKLEY

ALBERT J. BUCKLEY
NOTARY PUBLIC STATE OF NEW YORK
NO 60 - 0479065
QUALIFIED IN WESTCHESTER COUNTY
COMMISSION EXPIRES MARCH 30, 1959

STATE OF NEW YORK
COUNTY OF NEW YORK } ss:
CITY OF NEW YORK

On the 19th day of March, 1958, before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at 308 East 79th Street, Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with ROBERT T. WAGNER and knows him to be the person described in and who as Deputy Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said HERMAN KATZ, that he executed the same, and he, the said HERMAN KATZ thereupon subscribed his name hereto.

[illegible] Freedman
Frieda Freedman
Commissioner of Deeds, City of New York
by County Clerk No. 6?
Commission Expires Oct 8, [illegible]

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SUPPLEMENT TO SUBSTITUTED SCHEDULE A

ITEM 11

PIER FOR APPROACH LIGHTING TO RUNWAY "V PRIME" AT NEW YORK INTERNATIONAL AIRPORT

A permit for the construction, reconstruction, maintenance, repair and operation of a pier for approach lighting to Runway "V Prime" at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York, in that area more particularly bounded and described as follows:

BEGINNING at a point in the prolongation southwardly of the center line of proposed Runway V' of New York International Airport distant South 1°-39' West 500.00 feet thereon from the southerly end of said runway, the coordinates of said point being South 61,423.13, East 78,235.35 and running thence (1) South 88°-21' East, 50.00 feet to a point, the coordinates of said point being South 61,424.57, East 78,285.33; thence (2) South 1°-39' West, parallel with said center line of runway prolonged, distant 50.00 feet southeastwardly therefrom, measured at right angles thereto, 2510.00 feet to a point, the coordinates of said point being South 63,933.53, East 78,213.05; thence (3) North 88°-21' West, 100.00 feet to a point, the coordinates of said point being South 63,930.65, East 78,113.09; thence (4) North 1°-39' East, parallel with said center line of runway prolonged, distant 50.00 feet northwestwardly therefrom, measured at right angles thereto, 2510.00 feet to a point, the coordinates of said point being South 61,421.69, East 78,185.37; thence (5) South 88°-21' East, 50.00 feet to the point and place of beginning, the area whereof is 5.76 acres more or less.

Bearings of lines and coordinates as herein described refer to the rectangular system in use in the Borough of Queens which refers to the former Southeasterly corner of 10th Avenue and West 225th Street in the Borough of Manhattan as origin and the former easterly line of 10th Avenue as meridian or principal axis, the latter being inclined 28°-59'-13.5"± eastward or clockwise from the axis of the Brooklyn system, which is the meridian through United States Coast & Geodetic Station "Prospect Water Tower".

ITEM 12

MIDDLE MARKER PARCEL - RUNWAY "V PRIME" - NEW YORK INTERNATIONAL AIRPORT

BEGINNING at a point in the prolongation southwardly of the center line of proposed Runway V' of New York International Airport, distant South 1°-39' West 3475.00 feet thereon from the southerly end of said runway, the coordinates of said point being South 64,396.89, East 78,149.69 and running thence (1) South 88°-21' East, 50.00 feet to a point, the coordinates of said point being South 64,398.33, East 78,199.67; Thence (2) South 1°-39' West, parallel with said center line of runway prolonged, distant 50.00 feet southeastwardly therefrom, measured at right angles thereto, 100.00 feet to a point, the coordinates of said point being South 64,498.29, East 78,196.79; thence (3) North 88°-21' West, 100.00 feet to a point, the coordinates of said point being South 64,495.41, East 78,096.83; thence (4) North 1°-39' East, parallel with said center line of runway prolonged, distant 50.00 feet northwestwardly therefrom, measured at right angles thereto, 100.00 feet to a point, the coordinates of said point being South 64,395.45, East 78,099.71; thence (5) South 88°-21' East, 50.00 feet to the point and place of beginning, the area whereof is 0.23 acres more or less.

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Together with the necessary rights for a submarine cable extending from the parcel entitled "Pier for Approach Lighting to Runway 'V Prime' at New York International Airport" to the parcel entitled "Middle Marker Parcel - Runway 'V Prime' - New York International Airport".

Bearings of lines and coordinates as herein described refer to the rectangular system in use in the Borough of Queens which refers to the former Southeasterly corner of 10th Avenue and West 225th Street in the Borough of Manhattan as origin and the former easterly line of 10th Avenue as meridian or principal axis, the latter being inclined 28°-59'-13.5"± eastward or clockwise from the axis of the Brooklyn system, which is the meridian through United States Coast & Geodetic Station "Prospect Water Tower".

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ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL 1

BEGINNING at a point which is the intersection of the easterly line of 78th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, 200.00 feet to the westerly line of 79th Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 79th Street, at right angles to the preceding course, 192.82 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (3) Southwestwardly,

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parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto and along a line which makes an interior angle of 139°-59'-20" with the preceding course, 155.54 feet to the westerly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and a point in the center line of the block; thence (4) Northwardly, along said westerly line of lands condemned as aforesaid, along said center line of block and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 170.59 feet to the southerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated May 18, 1956 and Recorded on May 21, 1956 in the Register's Office of Queens County in Liber 6876 of Deeds at page 531 therein; thence (5) Westwardly, along said southerly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 282°-44'-40" with the preceding course, 51.28 feet; thence (6) Westwardly, continuing along said southerly line of lands conveyed by Arde Bulova and along a line which makes an interior angle of 183°-19'-20" with the preceding course, 52.02 feet to said easterly line of 78th Street; thence (7) Northwardly, along said easterly line of 78th Street and along a line which makes an interior angle of 73°-56'-00" with the preceding course, at right angles to said southerly line of 25th Avenue, 167.08 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 and part of Lot 14 in Block 1055, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 2

BEGINNING at a point which is the intersection of the easterly line of 79th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, at right angles to said easterly line of 79th Street, 101.86 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (2) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto, along the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and along a line which makes an interior angle of 49°-59'-20" with the preceding course, 158.43 feet to said easterly line of 79th Street; thence (3) Northwardly, along said easterly line of 79th Street and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 121.34 feet to the point and place of BEGINNING.

Being the premises known as part of Lot 1 and part of Lot 11, in Block 1056, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 3

BEGINNING at a point which is the intersection of the northerly line of 25th Avenue (70.00 feet wide) with the easterly line of 79th Street (60.00 feet wide) and running thence (1) Northwardly, along said easterly line of 79th Street, at right angles to said northerly line of 25th Avenue, 450.00 feet to the northerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated

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July 2, 1956 and recorded on July 9, 1956 in the Register's Office of Queens County in Liber 6891 of Deeds at page 645 therein; thence (2) Eastwardly, at right angles to the preceding course and along said northerly line of lands conveyed by Arde Bulova as aforesaid, 53.75 feet to the easterly line of lands conveyed by Arde Bulova as aforesaid; thence (3) Southwardly, along said easterly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 112°-46'-03" with the preceding course, 108.49 feet to the northerly line of lands conveyed by Clara Maurer to The Port of New York Authority by Deed dated June 12, 1956 and recorded on June 12, 1956 in the Register's Office of Queens County in Liber 6883 of Deeds at page 632 therein; thence (4) Eastwardly, along said northerly line of lands conveyed by Clara Maurer as aforesaid and along a line which makes an interior angle of 247°-13'-57" with the preceding course, 104.29 feet to the westerly line of 80th Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 80th Street, at right angles to the preceding course, 350.00 feet to the corner formed by the intersection of said westerly line of 80th Street with said northerly line of 25th Avenue; thence (6) Westwardly, along said northerly line of 25th Avenue, at right angles to the preceding course, 200.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 18, 20, 22, 24 and part of 32, in Block 1043, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 4

BEGINNING at a point in the easterly line of 80th Street (60.00 feet wide) distant 125.00 feet northwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the northerly line of 25th Avenue (70.00 feet wide) said point lying in the southerly line of lands conveyed by John & Christine Harvan to The Port of New York Authority by Deed dated June 14, 1956 and Recorded in the Register's Office of Queens County on June 15, 1956 in Liber 6884 of Deeds at page 528 therein and running thence (1) Northwardly, along said easterly line of 80th Street, 375.00 feet to the northerly line of lands conveyed by Wilhelmina Kobryn to The Port of New York Authority by Deed dated July 10, 1956 and Recorded in the Register's Office of Queens County on July 12, 1956 in Liber 6892 of Deeds at page 627 therein; thence (2) Eastwardly, along said northerly line of lands conveyed by Wilhelmina Kobryn as aforesaid, 100.00 feet to the westerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (3) Northwardly, along said westerly line of lands acquired as aforesaid, 100.00 feet to the southerly line of 24th Avenue (70.00 feet wide); thence (4) Eastwardly, along said southerly line of 24th Avenue, 100.00 feet to the corner formed by the intersection of said southerly line of 24th Avenue with the westerly line of 81st Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 81st Street, 325.00 feet to the southerly line of lands conveyed by Ellen Shelby to The Port of New York Authority by Deed dated June 27, 1956 and Recorded in the Register's Office of Queens County on June 28, 1956 in Liber 6888

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of Deeds at page 231 therein; thence (6) Westwardly, along said southerly line of lands conveyed by Ellen Shelby aforesaid, 100.00 feet to the center line of the block and a point in the easterly line of lands conveyed by Joseph Somma to The Port of New York Authority by Deed dated February 8, 1956 and Recorded in the Register's Office on February 9, 1956 in Liber 6849 of Deeds at page 454 therein; thence (7) Southwardly, along said center line of block and along said easterly line of lands conveyed by Joseph Somma as aforesaid, along the easterly line of lands conveyed by George & Rose Strnad by Deed dated July 23, 1956 and Recorded on July 30, 1956 in the Register's Office of Queens County by Torrens Certificate numbered 189, along the easterly line of lands acquired by The Port of New York Authority in Condemnation Proceedings in which title vested on June 6, 1956, along the easterly line of lands conveyed by John & Christine Harvan as aforesaid, 150.00 feet to said southerly line of lands conveyed by John & Christine Harvan; thence (8) Westwardly, along said southerly line of lands conveyed by John & Christine Harvan as aforesaid, 100.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 6, 9, 11, 14, 16, 20, 43, 45, 46, 48, 49, 50, 51, 52, 53, 54, 56, 57 and 59 in Block 1044, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 5

BEGINNING at a point which is the intersection of the southerly line of 24th Avenue (70.00 feet wide) with the easterly line of 81st Street (60.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 24th Avenue, 125.00 feet to the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Southwardly, along said easterly line of lands acquired as aforesaid, 100.00 feet to a southerly line of lands acquired as aforesaid; thence (3) Westwardly, along said southerly line of lands acquired as aforesaid, 25.00 feet to the center line of the block and another easterly line of lands acquired by condemnation as aforesaid; thence (4) Southwardly, along said lands acquired by condemnation and along the easterly line of lands conveyed by Andrew Haurylak by Deed dated September 28, 1956 and Recorded in the Register's Office of Queens County on September 28, 1956 in Liber 6916 at page 83 therein, 75.00 feet to the southerly line of lands conveyed by Andrew Haurylak aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed by Andrew Haurylak, 100.00 feet to said easterly line of 81st Street; thence (6) Northwardly, along said easterly line of 81st Street, 175.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 1, 2, 3, 4, 57, 58 and 59, in Block 1045, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 6

BEGINNING at a point which is the intersection of the westerly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Westwardly, along said northerly line of Astoria Boulevard, 133.44 feet to the westerly line of lands conveyed by Stephen, Electra, George and Eftalia Milonas to the Port of New York Authority by Deed dated February 1, 1957 and Recorded in the Register's Office of Queens County on February 5, 1957 in Liber 6950 of Deeds at page 112 therein; thence (2) Northwardly, along said westerly line of lands conveyed as aforesaid and along the westerly line of lands acquired by The Port of New York Authority by Condemnation in a proceeding vesting title on June 6, 1956, 58.01 feet to the northerly line of lands acquired by condemnation as aforesaid; thence (3) Eastwardly, along said northerly line of lands acquired by condemnation as aforesaid, 25.00 feet to the westerly line of lands conveyed by Caroline Dupree to The Port of New York Authority by Deed dated August 29, 1956 and Recorded in the Register's Office of Queens County on August 31, 1956 in Liber 6907 at page 458 therein; thence (4) Northwardly, along said westerly line of lands conveyed by Caroline Dupree as aforesaid, 75.00 feet to the northerly line of lands so conveyed by Caroline Dupree; thence (5) Eastwardly, along said northerly line of lands conveyed by Caroline Dupree as aforesaid, 100.00 feet to said westerly line of 82nd Street; thence (6) Southwardly along said westerly line of 82nd Street, 179.70 feet to the point and place of BEGINNING.

Being the premises known as Lots 30, 33 and 40, in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 7

BEGINNING at a point which is the intersection of the easterly line of 81st Street with the southerly line of Grand Central Parkway as now in use and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands conveyed by Feldwood Realty Corporation to the Port of New York Authority by Deed dated November 28, 1956 and Recorded in the Register's Office of Queens County on November 29, 1956 in Liber 6932 of Deeds at page 295 therein, 202.92 feet to the westerly line of 82nd Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 82nd Street, 155.22 feet to the southerly line of lands conveyed as aforesaid; thence (3) Westwardly, along said southerly line of lands conveyed as aforesaid, 200.00 feet to said easterly line of 81st Street; thence (4) Northwardly, along said easterly line of 81st Street, 119.07 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 8

BEGINNING at a point which is the intersection of the easterly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Northwardly, along said easterly line of 82nd Street, 296.57 feet to the northerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Eastwardly, along said northerly line of lands so acquired, 200.01 feet to the westerly line of

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83rd Street (60.00 feet wide); thence (3) Southwardly, along said westerly line of 83rd Street, 167.83 feet to the southerly line of lands acquired by condemnation as aforesaid; thence (4) Westwardly, along said southerly line of lands so acquired, 107.29 feet to the easterly line of lands so acquired; thence (5) Southwardly, along said easterly line of lands acquired by condemnation as aforesaid and along the easterly line of lands conveyed by Kunigunda Rickel & Louise S. Grimm by Deeds dated July 14 and 19, 1956 and September 24, 1956 and Recorded severally in the Register's Office of Queens County on July 26, 1956 in Liber 6897 at pages 57 & 59 therein and on October 4, 1956 in Liber 6917 at pages 611 and 613 therein, 173.89 feet to said northerly line of Astoria Boulevard; thence (6) Westwardly, along said northerly line of Astoria Boulevard, 127.72 feet to the point and place of BEGINNING.

Being the premises known as Lots 24, 26, 27, 28, 29, 32, 43, 46, 49, 50, 51, 53, 55 and 59 in Block 1077, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 9

BEGINNING at a point which is the intersection of the easterly line of 83rd Street (60.00 feet wide) with the southerly line of Grand Central Parkway as in use being also the northwesterly corner of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956 and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands acquired as aforesaid and along the northerly line of lands conveyed by Barkin Levin & Co., Inc. to The Port of New York Authority by Deed dated July 20, 1956

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and Recorded in the Register's Office of Queens County on July 27, 1956 in Liber 6895 of Deeds at page 549 therein, along the arc of a circle of 6603.00 feet radius the center of said arc lying to the south an arc distance of 262.64 feet to a point of compound curvature; thence (2) Eastwardly, continuing along said northerly line of lands conveyed as aforesaid and along said southerly line of Grand Central Parkway along the arc of a circle of 270.00 feet radius, the center of said arc lying to the south an arc distance of 188.49 feet to another point of compound curvature; thence (3) Eastwardly and Southwardly along said southerly line of Grand Central Parkway and said northerly line of lands conveyed as aforesaid, along the arc of a circle of 44.176 feet radius, the center of said arc lying to the south, an arc distance of 30.89 feet to a point in the westerly line of 85th Street (60.00 feet wide); thence (4) Southwardly, along said westerly line of 85th Street and along the easterly line of lands conveyed as aforesaid, 258.23 feet to the southerly line of lands conveyed as aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed as aforesaid, 360.00 feet to the easterly line of lands conveyed as aforesaid; thence (6) Southwardly, along said easterly line of lands so conveyed, 41.38 feet to the southerly line of lands so conveyed; thence (7) Westwardly, along said southerly line of lands so conveyed, 100.00 feet to said easterly line of 83rd Street; thence (8) Northwardly, along said easterly line of 83rd Street, 269.32 feet to the point and place of BEGINNING.

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THIS INDENTURE, made the 6th day of [illegible] 1958, between THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, having its office at 111 Eighth Avenue, Borough of Manhattan, City, County and State of New York, (hereinafter referred to as the "Port Authority") and THE CITY OF NEW YORK, a municipal corporation of the State of New York, having its principal office at City Hall, in the Borough of Manhattan, City, County and State of New York (hereinafter referred to as the "City"),

WHEREAS, the Agreement between the Port Authority and the City with respect to Municipal Air Terminals dated April 17, 1947, which Agreement was recorded on the 22nd day of May, 1947, in the office of the Register of the City of New York (Queens County) in Liber 5402 of Conveyances, page 319, provides among other things that the Port Authority shall convey to the City any lands or interests therein which it acquires for use in extension of the Municipal Air Terminals or for use in maintaining airplane beacons, guides or other aids to avigation, and that thereupon such property shall become part of the premises demised to the Port Authority under said Agreement; and

WHEREAS, the Port Authority has acquired for municipal air terminal purposes the lands hereinafter described, subject to the encumbrances and exceptions specified herein,

NOW, THEREFORE, WITNESSETH, that the Port Authority does hereby remise, release and quitclaim unto the City, its successors and assigns forever, all right, title and interest of the Port Authority in and to:

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all those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL 1

BEGINNING at a point which is the intersection of the easterly line of 78th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, 200.00 feet to the westerly line of 79th Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 79th Street, at right angles to the preceding course, 192.82 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (3) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto and along a line which makes an interior angle of 139°-59'-20" with the preceding course, 155.54 feet to the westerly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and a point in the center line of the block; thence (4) Northwardly, along said westerly line of lands condemned as aforesaid, along said center line of block and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 170.59 feet to the southerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated May 18, 1956 and Recorded on May 21, 1956 in the Register's Office of Queens County in Liber 6876 of Deeds at page 531 therein; thence (5) Westwardly, along said southerly

line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 282°-44'-40" with the preceding course, 51.28 feet; thence (6) Westwardly, continuing along said southerly line of lands conveyed by Arde Bulova and along a line which makes an interior angle of 183°-19'-20" with the preceding course, 52.02 feet to said easterly line of 78th Street; thence (7) Northwardly along said easterly line of 78th Street and along a line which makes an interior angle of 73°-56'-00" with the preceding course, at right angles to said southerly line of 25th Avenue, 167.08 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 and part of Lot 14 in Block 1055, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 2

BEGINNING at a point which is the interestion of the easterly line of 79th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, at right angles to said easterly line of 79th Street, 101.86 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (2) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto, along the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and along a line which makes an interior angle of 49°-59'-20" with the preceding course, 158.43 feet to said easterly line of 79th Street; thence (3) Northwardly, along said easterly line of 79th Street and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 121.34 feet to the point and place of BEGINNING.

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Being the premises known as part of Lot 1 and part of Lot 11, in Block 1056, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 3

BEGINNING at a point which is the intersection of the northerly line of 25th Avenue (70.00 feet wide) with the easterly line of 79th Street (60.00 feet wide) and running thence (1) Northwardly, along said easterly line of 79th Street, at right angles to said northerly line of 25th Avenue, 450.00 feet to the northerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated July 2, 1956 and recorded on July 9, 1956 in the Register's Office of Queens County in Liber 6891 of Deeds at page 645 therein; thence (2) Eastwardly, at right angles to the preceding course and along said northerly line of lands conveyed by Arde Bulova as aforesaid, 53.75 feet to the easterly line of lands conveyed by Arde Bulova as aforesaid; thence (3) Southwardly, along said easterly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 112°-46'-03" with the preceding course, 108.49 feet to the northerly line of lands conveyed by Clara Maurer to The Port of New York Authority by Deed dated June 12, 1956 and recorded on June 12, 1956 in the Register's Office of Queens County in Liber 6883 of Deeds at page 632 therein; thence (4) Eastwardly, along said northerly line of lands conveyed by Clara Maurer as aforesaid and along a line which makes an interior angle of 247°-13'-57" with the preceding course, 104.29 feet to the westerly line of 80th Street (60.00 feet wide); thence (5) Southwardly, along said

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westerly line of 80th Street, at right angles to the preceding course, 350.00 feet to the corner formed by the intersection of said westerly line of 80th Street with said northerly line of 25th Avenue; thence (6) Westwardly, along said northerly line of 25th Avenue, at right angles to the preceding course, 200.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 18, 20, 22, 24 and part of 32, in Block 1043, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 4

BEGINNING at a point in the easterly line of 80th Street (60.00 feet wide) distant 125.00 feet northwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the northerly line of 25th Avenue (70.00 feet wide) said point lying in the southerly line of lands conveyed by John & Christine Harvan to The Port of New York Authority by Deed dated June 14, 1956 and Recorded in the Register's Office of Queens County on June 15, 1956 in Liber 6884 of Deeds at page 528 therein and running thence (1) Northwardly, along said easterly line of 80th Street, 375.00 feet to the northerly line of lands conveyed by Wilhelmina Kobryn to The Port of New York Authority by Deed dated July 10, 1956 and Recorded in the Register's Office of Queens County on July 12, 1956 in Liber 6892 of Deeds at page 627 therein; thence (2) Eastwardly, along said northerly line of lands conveyed by Wilhelmina Kobryn as aforesaid, 100.00 feet to the westerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested

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of lands acquired as aforesaid, 100.00 feet to the southerly line of 24th Avenue (70.00 feet wide); thence (4) Eastwardly, along said southerly line of 24th Avenue, 100.00 feet to the corner formed by the intersection of said southerly line of 24th Avenue with the westerly line of 81st Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 81st Street, 325.00 feet to the southerly line of lands conveyed by Ellen Shelby to The Port of New York Authority by Deed dated June 27, 1956 and Recorded in the Register's Office of Queens County on June 28, 1956 in Liber 6888 of Deeds at page 231 therein; thence (6) Westwardly, along said southerly line of lands conveyed by Ellen Shelby aforesaid, 100.00 feet to the cener line of the block and a point in the easterly line of lands conveyed by Joseph Somma to The Port of New York Authority by Deed dated February 8, 1956 and Recorded in the Register's Office on February 9, 1956 in Liber 6849 of Deeds at page 454 therein; thence (7) Southwardly, along said center line of block and along said easterly line of lands conveyed by Joseph Somma as aforesaid, along the easterly line of lands conveyed by George & Rose Strnad by Deed dated July 23, 1956 and Recorded on July 30, 1956 in the Register's Office of Queens County by Torrens Certificate numbered 189, along the easterly line of lands acquired by The Port of New York Authority in Condemnation Proceedings in which title vested on June 6, 1956, along the easterly line of lands conveyed by John & Christine Harvan as aforesaid, 150.00 feet to said southerly line of lands conveyed by John & Christine Harvan; thence (8) Westwardly, along said southerly line of lands conveyed by John & Christine Harvan as aforesaid, 100.00 feet to the point and place of BEGINNING.

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Being the premises known as Lots 6, 9, 11, 14, 16, 20, 43, 45, 46, 48, 49, 50, 51, 52, 53, 54, 56, 57 and 59 in Block 1044, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 5

BEGINNING at a point which is the intersection of the southerly line of 24th Avenue (70.00 feet wide) with the easterly line of 81st Street (60.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 24th Avenue, 125.00 feet to the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Southwardly along said easterly line of lands acquired as aforesaid, 100.00 feet to a southerly line of lands acquired as aforesaid; thence (3) Westwardly, along said southerly line of lands acquired as aforesaid, 25.00 feet to the center line of the block and another easterly line of lands acquired by condemnation as aforesaid; thence (4) Southwardly, along said lands acquired by condemnation and along the easterly line of lands conveyed by Andrew Haurylak by Deed dated September 28, 1956 and Recorded in the Register's Office of Queens County on September 28, 1956 in Liber 6916 at page 83 therein, 75.00 feet to the southerly line of lands conveyed by Andrew Haurylak aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed by Andrew Haurylak, 100.00 feet to said easterly line of 81st Street; thence (6) Northwardly, along said easterly line of 81st Street, 175.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 1, 2, 3, 4, 57, 58 and 59, in Block 1045, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 6

BEGINNING at a point which is the intersection of the westerly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Westwardly, along said northerly line of Astoria Boulevard, 133.44 feet to the westerly line of lands conveyed by Stephen, Electra, George and Eftalia Milonas to the Port of New York Authority by Deed dated February 1, 1957 and Recorded in the Register's Office of Queens County on February 5, 1957 in Liber 6950 of Deeds at page 112 therein; thence (2) Northwardly, along said westerly line of lands conveyed as aforesaid and along the westerly line of lands acquired by The Port of New York Authority by Condemnation in a proceeding vesting title on June 6, 1956, 58.01 feet to the northerly line of lands acquired by condemnation as aforesaid; thence (3) Eastwardly, along said northerly line of lands acquired by condemnation as aforesaid, 25.00 feet to the westerly line of lands conveyed by Caroline Dupree to The Port of New York Authority by Deed dated August 29, 1956 and Recorded in the Register's Office of Queens County on August 31, 1956 in Liber 6907 at page 458 therein; thence (4) Northwardly, along said westerly line of lands conveyed by Caroline Dupree as aforesaid, 75.00 feet to the northerly line of lands so conveyed by Caroline Dupree; thence (5) Eastwardly, along said northerly line of lands conveyed by Caroline Dupree as aforesaid, 100.00 feet to said westerly line of 82nd Street; thence (6) Southwardly along said westerly line of 82nd Street, 179.70 feet to the point and place of BEGINNING.

Being the premises known as Lots 30, 33 and 40 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 7

BEGINNING at a point which is the intersection of the easterly line of 81st Street with the southerly line of Grand Central Parkway as now in use and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands conveyed by Feldwood Realty Corporation to the Port of New York Authority by Deed dated November 28, 1956 and Recorded in the Register's Office of Queens County on November 29, 1956 in Liber 6932 of Deeds at page 295 therein, 202.92 feet to the westerly line of 82nd Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 82nd Street, 155.22 feet to the southerly line of lands conveyed as aforesaid; thence (3) Westwardly, along said southerly line of lands conveyed as aforesaid, 200.00 feet to said easterly line of 81st Street; thence (4) Northwardly, along said easterly line of 81st Street, 119.07 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 8

BEGINNING at a point which is the intersection of the easterly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Northwardly, along said easterly line of 82nd Street, 296.57 feet to the northerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Eastwardly, along said northerly line of lands so acquired, 200.01 feet to the westerly line of 83rd Street (60.00 feet wide); thence (3) Southwardly, along said westerly line of 83rd Street, 167.83 feet to the southerly line of lands acquired by condemnation as aforesaid; thence (4) Westwardly, along said southerly line of lands so acquired, 107.29 feet to the easterly line of lands so acquired; thence (5) Southwardly, along said easterly line of lands acquired by condemnation as aforesaid and along the easterly line of lands conveyed by Kunigunda Rickel & Louise S. Grimm by Deeds dated July 14 and 19, 1956 and September 24, 1956 and Recorded severally in the Register's Office of Queens County on July 26, 1956 in Liber 6897 at pages 57 & 59 therein and on October 4, 1956 in Liber 6917 at pages 611 and 613 therein, 173.89 feet to said northerly line of Astoria Boulevard; thence (6) Westwardly, along said northerly line of Astoria Boulevard, 127.72 feet to the point and place of BEGINNING.

Being the premises known as Lots 24, 26, 27, 28, 29, 32, 43, 46, 49, 50, 51, 53, 55 and 59 in Block 1077, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 9

BEGINNING at a point which is the intersection of the easterly line of 83rd Street (60.00 feet wide) with the southerly line of Grand Central Parkway as in use being also the northwesterly corner of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956 and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands acquired as aforesaid and along the northerly line of lands conveyed by Barkin Levin & Co., Inc. to The Port of New York Authority by Deed dated July 20, 1956 and Recorded in the Register's Office of Queens County on July 20, 1956 in Liber 6895 of Deeds at page 549 therein, along the arc of a circle of 6603.00 feet radius the center of said arc lying to the south an arc distance of 262.64 feet to a point of compound curvature; thence (2) Eastwardly, continuing along said northerly line of lands conveyed as aforesaid and along said northerly line of Grand Central Parkway along the arc of a circle of 270.00 feet radius, the center of said arc lying to the south an arc distance of 188.49 feet to another point of compound curvature; thence (3) Eastwardly and Southwardly along said northerly line of Grand Central Parkway and said northerly line of lands conveyed as aforesaid, along the arc of a circle of 44.176 feet radius, the center of said arc lying to the south, an arc distance of 30.89 feet to a point in the westerly line of 85th Street (60.00 feet wide); thence (4) Southwardly, along said westerly line of 85th Street and along the easterly line of lands conveyed as

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aforesaid, 258.23 feet to the southerly line of lands conveyed as aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed as aforesaid, 360.00 feet to the easterly line of lands conveyed as aforesaid; thence (6) Southwardly, along said easterly line of lands so conveyed, 41.38 feet to the southerly line of lands so conveyed; thence (7) Westwardly, along said southerly line of lands so conveyed, 100.00 feet to said easterly line of 83rd Street; thence (8) Northwardly, along said easterly line of 83rd Street, 269.32 feet to the point and place of BEGINNING.

Being the premises known as Lots 60 and 62, in Block 1078, Section 7 of the Tax Map of the City for the Borough of Queens.

Subject, however, to the following:

(a) the Agreement with respect to Municipal Air Terminals between the Port Authority and the City, dated April 17, 1947, and all rights of the Port Authority as lessee or otherwise under said Agreement;

(b) outstanding title in any of the People herein in the State of New York or in the City and liens and encumbrances in favor of the People of the State of New York or the City which reduce the estate or interest of any of the former owners;

(c) encroachments, if any, upon the premises herein described of any structures or appurtenances standing or maintained partly upon the premises herein described and partly upon the adjoing premises; and

(d) any state of facts which an accurate survey may show.

TO HAVE AND TO HOLD the premises granted to the City, its successors and assigns forever, subject, however, to the items specified aforesaid.

IN WITNESS WHEREOF, the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this indenture to be signed in triplicate by its Executive Director the day and year first above written.

THE PORT OF NEW YORK AUTHORITY

By _____
Austin J. Tobin, Executive Director

ATTEST:

_____
Secretary

Approved as to form:

_____
Sidney Goldstein
General Counsel

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

FIFTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated October 3, 1960

AGREEMENT (hereinafter referred to as "Fifth Supplemental Agreement") made as of this 3rd day of October , 1960, by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

WITNESSETH, That:

WHEREAS, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5), and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

WHEREAS, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

WHEREAS, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

WHEREAS, under date of May 28, 1956, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Third Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Third Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on April 26, 1956 (Cal. No. 111) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 10, 1956, and

WHEREAS, under date of November 6, 1959 the City and the Port Authority entered into an Agreement (hereinafter referred to as "Fourth Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Fourth Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 9, 1958 (Cal. No. 60) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on October 8, 1958, and

WHEREAS, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented;

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

I. DEFINITIONS

Except as hereinafter expressly provided, any words or phrases used in this Fifth Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement and amended and supplemented by the Third Supplemental Agreement and the Fourth Supplemental Agreement is hereby further amended and supplemented by adding as Item 14 thereof, the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as substituted by the Second Supplemental Agreement, amended and supplemented by the Third Supplemental Agreement and by the Fourth Supplemental Agreement and as amended and supplemented hereby.

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III. SURRENDER OF PORTION OF DEMISED PREMISES - LA GUARDIA AIRPORT--ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in Item 14 of the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit: during the term for which the demised premises are leased.

1. The Port Authority and its employees, contractors, permittees, agents or other person duly designated by it shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority for the safe and efficient operation of LaGuardia Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and its employees, contractors, permittees, agents or other person duly designated by it shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such

approach lighting systems, other aids to avigation, and facilities incidental thereto;

2. the City shall use the premises herein surrendered for park purposes and for no other purpose whatsoever; the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of La Guardia Airport or the safe and unrestricted passage of aircraft over the premises herein surrendered; the City shall abate any smoke or vapor, at the request of the Port Authority; the City shall not erect, install or maintain any structure, building, tower, pole, wire or other object the construction, maintenance or operation of which would constitute a hazard to avigation in the opinion of the Port Authority;

3. the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated or maintained by or on behalf of the Port Authority; and

4. the City shall not place fill in or upon the premises surrendered by Section III of this Fifth Supplemental Agreement or place any structures or buildings thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, provided, that such approval shall not be withheld unreasonably.

IV. SURRENDER OF SURPLUS PARCEL - ITEM 2 - SUBSTITUTED SCHEDULE A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender

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of the portion of the demised premises consisting of four (4) parcels of land on Rikers Island, Borough of the Bronx, described as Item 2 in the Substituted Schedule A attached to the Second Supplemental Agreement, and all the estate, right, title, interest, term of years, property, claims and demands whatsoever of the Port Authority of, in to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, subject, however, during the term for which the demised premises were leased, to the provisions of section 24 of the Original Agreement.

V. LEASE OF ADDITIONAL DEMISED PREMISES - LA GUARDIA AIRPORT

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City, for air terminal purposes and for purposes incidental thereto, the additional lands shown in cross hatching on the map of La Guardia Airport annexed hereto marked "Supplemental Map I-A" to have and to hold unto the Port Authority from the date of this Fifth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in the said Original Agreement.

As soon as possible after completion of the programm of rehabilitating and improving La Guardia Airport, the Port Authority shall, itself or through others acting on its behalf, landscape the area along Grand Central Parkway between the Parkway pavement and the southerly boundary of La Guardia Airport shown on the annexed "Supplemental Map I-A" with screen planting satisfactory to the

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Department of Parks and, as between the City and the Port Authority, the Port Authority shall assume the cost of such initial landscaping. Thereafter, such landscaping shall be maintained by the City.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

ATTEST:

Herman Katz
City Clerk

THE CITY OF NEW YORK

Robert F. Wagner
Mayor

ATTEST:

Joseph G. Carty
Secretary

THE PORT OF NEW YORK AUTHORITY

Austin J. Tobin
Executive Director

Approved as to Form

Leo A. Larkin
Acting Corporation Counsel

Approved as to Form

R. C. Skehan
Assistant General Counsel

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:

On this 14th day of July, 1960, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to the said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY and that he signed his name thereto by like order.

Albert J. Buckley

ALBERT J. BUCKLEY
NOTARY PUBLIC, State of New York
No. 60-0479065
Qualified in Westchester County
Commission expires March 30, 1961.

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:
CITY OF NEW YORK)

On the 11th day of October, 1960, before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at [illegible] Street, Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with ROBERT F. WAGNER and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said HERMAN KATZ, that he executed the same, and he, the said HERMAN KATZ thereupon subscribed his name hereto.

Joseph A. Fanelli

JOSEPH A. FANELLI
Commissioner of Deeds City of New York
New York County Clerk's No. 19
Commission Expires March 19, 1961

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Supplement to Substituted Schedule A

ITEM 14

PARCEL I

ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate, lying and being in the Borough and County of Queens, City and State of New York, known and designated on a certain map entitled "Map of Property belonging to Valentin Klein, situate in the 2nd Ward of the Borough of Queens, New York City surveyed September 1919, by Walter I. Browne, C.E. & C.S."; and filed or intended to be filed in the Office of the Clerk of the County of Queens as and by the Lots #25 and 26, which said lots according to said map are bounded and described as follows:

BEGINNING at a point on the westerly side of 82nd Street (formerly 25th Street) distant northerly 299.35 feet from the corner formed by the intersection of the westerly side of 25th Street and the northeasterly side of Astoria Boulevard (formerly Astoria Avenue); running thence westerly and at right angles to said 82nd Street, 100 feet; thence northerly and parallel with said 82nd Street, 45.98 feet to lands now or formerly of the Estate of Garrett Kowenhoven, deceased; thence easterly along said lands 100 feet to the westerly side of 82nd Street, 45.04 feet to the point or place of beginning.

Being the premises also known and designated as and by the Lot #25, Block 1034 of Section 7 as shown on the Tax Map of the County of Queens.

PARCEL 2

All that certain plot, piece or parcel of land situate, lying and being in the Borough and County of Queens, City and State of New York, known as and by the Lot No. 1, Block No. 1077 of Section 7, as shown on Tax Map of the County of Queens, said Block No. 1077 being designated as Block No. 1409 of Section 6 of the land Map of the County of Queens, and bounded and described as follows:

On the North by Grand Central Parkway, on the West by Eighty-Second Street; and on the East by Eighty-Third Street.

All right, title and interest of the Port Authority or which the Port Authority has power to convey or dispose of, in and to all strips and gores abutting and of the title lines of said premises.

Subject, however, to the following:

(a) the Agreement with respect to Municipal Air Terminals between the Port Authority and the City, dated April 17, 1947, and all rights of the Port Authority as lessee or otherwise under said Agreement;

(b) outstanding title, if any, of the People of the State of New York or of the City and liens and encumbrances in favor of the People of the State of New York or the City which reduce the estate or interest of any of the former owners;

(c) encroachments, if any, upon the premises herein described of any structures or appurtenances standing or maintained partly upon the premises herein described and partly upon the adjoining premises; and

(d) any state of facts which an accurate survey may show.

TO HAVE AND TO HOLD the premises granted to the City, its successors and assigns forever, subject, however, to the items specified aforesaid.

IN WITNESS WHEREOF, the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this indenture to be signed in triplicate by its Executive Director the day and year first above written.

ATTEST:

Joseph G. Carty
Secretary

THE PORT OF NEW YORK AUTHORITY

By Austin J. Tobin
Austin J. Tobin
Executive Director

Approved as to form:

Rosaleen C. Skehan
Sidney Goldstein
General Counsel

MJ

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 14 day of ~~March~~ July 1960, before me personally came AUSTIN J. TOBIN to me known, who, being by me duly sworn, did depose and say that he resides at [redacted] New York, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY; and that he signed his name thereto by like order.

Albert J. Buckley
Notary Public
Albert J. Buckley
Notary Public, State of New York
No.60-0479065
Qualified in Westchester County
Commission expires March 30, 1961

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THIS INDENTURE, made the 14 day of July, 1960, between THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, having its office at 111 Eighth Avenue, Borough of Manhattan, City, County and State of New York, (hereinafter referred to as the "Port Authority") and THE CITY OF NEW YORK, a municipal corporation of the State of New York, having its principal office at City Hall, in the Borough of Manhattan, City, County and State of New York (hereinafter referred to as the "City"),

WHEREAS, the Agreement between the Port Authority and the City with respect to Municipal Air Terminals dated April 17, 1947, which Agreement was recorded on the 22nd day of May, 1947, in the office of the Register of the City of New York (Queens County) in Liber 5402 of Conveyances, page 319, provides among other things that the Port Authority shall convey to the City any lands or interests therein which it acquires for use in extension of the Municipal Air Terminals or for use in maintaining airplane beacons, guides or other aids to avigation, and that thereupon such property shall become part of the premises demised to the Port Authority under said Agreement; and

WHEREAS, the Port Authority has acquired for municipal air terminal purposes the lands hereinafter described, subject to the encumbrances and exceptions specified herein,

NOW, THEREFORE, WITNESSETH, that the Port Authority does hereby remise, release and quitclaim unto the City, its successors and assigns forever, all right, title and interest of the Port Authority in and to:

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ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate, lying and being in the Borough and County of Queens, City and State of New York, known and designated on a certain map entitled "Map of Property belonging to Valentin Klein, situate in the 2nd Ward of the Borough of Queens, New York City surveyed September 1919, by Walter I. Browne, C.E. & C.S.", and filed or intended to be filed in the Office of the Clerk of the County of Queens as and by the Lots #25 and 26, which said lots according to said map are bounded and described as follows:

BEGINNING at a point on the westerly side of 82nd Street (formerly 25th Street) distant northerly 299. 35 feet from the corner formed by the intersection of the westerly side of 25th Street and the northeasterly side of Astoria Boulevard (formerly Astoria Avenue); running thence westerly and at right angles to said 82nd Street, 100 feet; thence northerly and parallel with said 82nd Street, 45.98 feet to lands now or formerly of the Estate of Garrett Kowenhoven, deceased; thence easterly along said lands 100 feet to the westerly side of 82nd Street; thence southerly along said westerly side of 82nd Street, 4504 feet to the point or place of beginning.

Being the premises also known and designated as and by the Lot #25, Block 1034 of Section 7 as shown on the Tax Map of the County of Queens.

TOGETHER WITH:

All right, title and interest of the Port Authority or which the Port Authority has power to convey or dispose of, in and to any land lying in the bed of any street, road or avenue, open or proposed, in front of or adjoining the premises.

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—BOOK 163—

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Sixth Suppl. Ct

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THE CITY OF NEW YORK

B18.00

AND

THE PORT OF NEW YORK AUTHORITY

OFFICE OF CITY REGISTER
Queens County
RECORDED
Witness my hand
and official seal
CITY REGISTER

NOT SUBJECT TO MTGE TAX

The land affected [illegible] instrument
lies in [illegible] 14260 Lots 1, 101 & 16
on the [illegible] Map of the County of Queens.

SIXTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

JUN-29-66 87977

DATED August 24, 1965

R&R
A. J. BUCKLEY, ESQ
ROOM 1515
111 EIGHTH AVE.
NEW YORK, N.Y. 10011

18.00

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SIXTH SUPPLEMENTAL AGREEMENT made as of the 24th day of August, 1965, between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "The City", and "THE PORT OF NEW YORK AUTHORITY", a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called the "Port Authority".

W I T N E S S E T H, That:

WHEREAS, the parties hereto under date of April 17, 1947, have duly entered into an Agreement relating to Municipal Air Terminals, and

WHEREAS, the said parties have duly amended, supplemented and modified the said agreement by several Agreements duly entered into as of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1959 and October 3, 1960, respectively, and

WHEREAS, the said parties desire to further amend, supplement and modify the Agreement of April 17, 1947, as amended, supplemented and modified,

NOW, THEREFORE, it is mutually agreed as follows:

1. SURRENDER OF PORTIONS OF DEMISED PREMISES - JOHN F. KENNEDY INTERNATIONAL AIRPORT

The Port Authority hereby gives, grants and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises shown cross-hatched and dotted on the map of John F.Kennedy International Airport annexed hereto and marked "Supplemental Map II-C", dated December 2, 1964, and further described in the annexed Schedule "A", and all the estate, right, title, interest, terms of years, property, claim and demand

whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the demised premises shown cross-hatched and dotted on said Supplemental Map II-C may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, provided that the Port Authority shall have the right to the maintenance thereunder of existing utility facilities and aids to avigation of the Federal Aviation Agency and shall have the right to maintain and operate existing installations on Parcels 5, 6 and 7, and, subject to approval of the City, may relocate and replace such installations.

2. Pursuant to the provisions of Section V of the Third Supplemental Agreement of May 28, 1956, the Port Authority hereby consents to the use for street or highway purposes of those portions of the premises thereby surrendered which are shown hatched on Supplemental Map II-C, subject to such other conditions of that surrender which are not in conflict with the construction and the regulations approved by the State Superintendent of Public Works and the Federal Bureau of Public Roads.

It is understood that the line of the premises being surrendered by the Port of New York Authority or as to which it is granting consent to construction, all as shown on Supplemental Map II-C, shall be subject to modification as to detail as City authorized work progresses and as it is completed and in place, with confirmatory instruments to be provided as necessary.

3. CLOSING OF PORTION OF ROCKAWAY BOULEVARD - LOCATION OF NASSAU EXPRESSWAY.

The City agrees that it will close and discontinue as a street that portion of Rockaway Boulevard between New York Boulevard and a point 1,300 feet more or less, west of the northwest corner of Brookville Boulevard and Rockaway Boulevard. The City further agrees that a part of the proposed Nassau Expressway will be built north of that section of the existing Rockaway Boulevard which lies between Springfield Boulevard and a point 1,300 feet west of the northwest corner of Brookville Boulevard and Rockaway Boulevard, generally along the alignment shown on Supplemental Map II-C.

Port of New York Authority hereby waives any claim it may be entitled to by reason of the elimination, discontinuance and closing of said Rockaway Boulevard, and hereby agrees that there shall be no access from its property over and across said Rockaway Boulevard, except as it or the Federal Aviation Agency may require for the purpose of installing, operating, maintaining, relocating, replacing and inspecting approach lighting systems, other aids to avigation and facilities incidental thereto located within the area bounded by Rockaway Boulevard and the proposed New Nassau Expressway.

4. Except as in this agreement specifically stated, the terms, provisions and conditions of the agreements made by the parties hereto dated April 17, 1947, May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1959 and October 3, 1960, respectively,

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shall remain in full force and effect.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

ATTEST:
(Seal)
City Clerk

THE CITY OF NEW YORK
Mayor

ATTEST:
Secretary (Seal)

THE PORT OF NEW YORK AUTHORITY
Executive Director

Approved as to form
Corporation Counsel

Approved as to form
General Counsel

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:

On the 12th day of August, 1965, before me came Austin J. Tobin, to me known, who, being by me duly sworn, did depose and say that he resides at New York City, that he is the Executive Director of the Port of New York Authority, the corporation described in, and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Commissioners of said corporation; and that he signed his name thereto by like order.

(Seal)

MILDRED C. PORTH
Notary Public, State of New York
No. 30-3137750
Qualified in Nassau County
Commission Expires March 30, 1967

Mildred C. Porth

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STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:
CITY OF NEW YORK)

On this 1st day of Aug, 1965, before me personally came Hermen Katz, with whom I am personally acquainted, and known to me to be the City Clerk of The City of New York, who being by me duly sworn, did depose and say that he resides at [illegible], in the Borough of Manhattan, City of New York; that he is the City Clerk of The City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed as provided by law, and that he signed his name thereto as City Clerk by like authority, and further, that he knows and is acquainted with Robt F Wagner, and knows him to be the person described in and who, as Mayor of The City of New York, executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him, the said City Clerk, and that he executed and delivered the same, and he, the said City Clerk thereupon subscribed his name thereto.

Joseph A Fanelli

JOSEPH A. FANELLI
Commissioner of Deeds
City of New York No. 3-200
Certificate filed in New York County
Commission Expires March 1, 1967

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SCHEDULE A

PARCEL 1

BEGINNING at a point on the southerly line of Southern Parkway distant 989.58 feet westerly from the corner formed by the intersection of the southerly side of Southern Parkway with the westerly side of 153rd Place; thence westerly along the southerly side of Southern Parkway as the same bends, the following two distances 1352.41 feet and 1174.71 feet to a point where the southerly side of Southern Parkway intersects the easterly side of Van Wyck Expressway; thence southerly along the easterly side of Van Wyck Expressway on a curve to the left having a radius of 1212.00 feet; a central angle 18° 55' 40.5", a distance of 400.39 feet to a point; thence continuing southerly along the easterly side of Van Wyck Expressway on a curve to the left having a radius of 4512.00 feet; a central angle 7° 17' 15.4", a distance of 573.89 feet to a point; thence still southerly along easterly side of Van Wyck Expressway on a curve to the left, having a radius of 2012.00 feet; a central angle of 3° 15' 11.6" a distance of 114.24 feet; thence westerly on a straight line along the south side of Van Wyck Expressway a distance of 238.12 feet to a point; thence southerly on a curve to the right, having a radius of 2324.00 feet; a central angle 3° 24' 22.8", a distance of 138.17 feet to a point; thence easterly 96.00 feet to a point; thence southeasterly on a curve to the left having a radius of 593.00 feet a central angle 26° 42' 51.2", a distance of 276.49 feet to a point; thence southerly on a curve to the right, having a radius of 1528.00 feet; a central angle 4° 35' 45.8", a distance of 122.57 feet to a point; thence continuing on a curve to the right, having a radius of 728.00 feet; a central angle 44° 00' 13.2", a distance of 559.11 feet to a point; thence southwesterly on a straight line 153.60 feet to a point; thence southeasterly at right angles or nearly so to the last mentioned course 168.00 feet to a point; thence northeasterly at right angles or nearly so to last mentioned course 682.30 feet to a point; thence northeasterly on a curve to the right having a radius of 243.59 feet; a central angle 26° 16' 01", a distance of 111.67 feet to a point; thence northeasterly on a straight line 267.10 feet to a point; thence in a generally northerly direction on a curve to the left, having a radius of 673.35 feet; a central angle 48° 11' 29.2" a distance of 566.35 feet to a point; thence northerly on a straight line 654.62 feet to a point; thence continuing northeasterly on a curve to the right having - radius of 1918.64 feet, a central angle 4° 16' 52.1", a distance of 143.36 feet; thence continuing easterly on a curve to the right having a radius of 394.38 feet;a central angle 52° 00' 31.1", a distance of 357.98 feet to a point; thence still continuing easterly on a curve to the right having a radius of 15224.42 feet; a central angle 2° 56' 57.2" a distance of 783.66 feet to a point; thence still continuing easterly on a curve to the right, having a radius of 1130.14 feet; a central angle 9° 59' .08.0" a distance of 196.96 feet to a point; thence continuing easterly on a straight line 462.33 feet to a point; thence easterly

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on a curve to the left, having a radius of 1050.00 feet; a central angle 13° 18' 44.2" a distance of 243.96 feet to a point; thence northerly on a straight line a distance of 861.44 feet to the point or place of beginning. It being intended to describe Damage Parcel No. 112 as shown on Section 2 of the Damage Map in the Proceeding to acquire title to lands required for "Nassau Expressway".

PARCEL 2

BEGINNING at a point on the southerly side of Southern Parkway where it intersects the westerly side of 124th Street; thence westerly along the southerly side of Southern Parkway 121.44 feet to an angle point therein; thence westerly still along the southerly side of Southern Parkway on a curve to the right, having a radius of 1237.83 feet, a central angle of 32° 23' 11.5", a distance of 699.69 feet to a point; thence in a straight line still along the southerly side of Southern Parkway 3396.56 feet to a point; thence still westerly along the southerly side of Southern Parkway, 106.84 feet to a point; thence southeasterly 101.46 feet to the southerly side of the premises herein described; thence easterly on a straight line 396.08 feet; thence easterly on a curve to the right, having a radius of 1958.00 feet, a central angle of 7° 07' 33.0" a distance of 243.51 feet; thence easterly on a straight line 406.86 feet; thence still easterly on a curve to the left, having a radius of 2530.00 feet a central angle of 22° 11' 38.7" a distance of 980.02 feet; thence easterly on a straight line 543.78 feet to an angle point; thence still easterly on a straight line 100.33 feet to an angle point; thence still easterly on a straight line 1420.99 feet to a point; thence still easterly on a curve to the left, having a radius of 4970.00 feet, a central angle of 6° 14' 22.9" a distance of 541.25 feet to a point; thence easterly on a straight line 155.61 feet to a point; thence easterly on a curve to the left, having a radius of 530.00 feet, a central angle of 23° 51' 46.3" a distance of 220.74 feet to a point; thence easterly on a straight line 473.01 feet to a point; thence still easterly on a curve to the left, having a radius of 1520.00 feet, a central angle of 12° 15' 28.4" a distance of 325.19 feet to the westerly side of 130th Street; thence northerly along the westerly side of 130th Street 56.32 feet to its intersection with the southerly side of 152nd Avenue; thence westerly along southerly side of 152nd Avenue 1560.00 feet to the westerly side of 124th Street; thence northerly at right angles to the last mentioned course 316.34 feet to the point or place of beginning. It being intended to describe Damage Parcel No.68, 69,70 and 71 as shown on Section 1 of the Damage Map in the Proceeding to acquire title to the lands required for "Nassau Expressway".

PARCEL 3

BEGINNING at a point on the southerly side of Southern Parkway where it intersects the easterly side of 134th Street; thence easterly along the southerly side of Southern Parkway in a straight line 139.18 feet to a point; thence in a straight line along the southerly side of Southern Parkway, said line deflecting 27° 56' 39.1" to the right 48.56 feet to a point of curvature; thence on a curve to the right having a radius of 612.00 feet a central angle of 18° 18' 58.9" a distance of 195.65 feet to a point; thence continuing on a curve to the right having a radius of 2512.00 feet, a central angle of 9° 16' 50.0" a distance of 406.88 feet to a point; thence westerly in a straight line, said line deflecting 161° 08' 25" to the right 171.09 feet to a point; thence in a straight line, said line deflecting 27° 14' 15.4" to the left 535.40 feet to a point on the easterly side of 134th Street; thence northerly along the easterly side of 134th Street 523.29 feet to the point or place of beginning. It being the intention to describe Damage Parcel No.111 as shown on Section I of the Damage Map in the Proceeding to acquire title to the lands required for "Nassau Expressway".

PARCEL 4

Portion of land from 150th Street to vicinity of 183rd Road, exclusive of Parcel 7, shown cross-hatched on Supplemental Map II-C.

PARCEL 5

Portion of land from extension of New York Boulevard to the extension of 228th Street, south of and adjoining Rockaway Boulevard, proposed for park use and shown dotted on Supplemental Map II-C.

PARCEL 6

Portion of land south of and adjoining Rockaway Boulevard from Brookville Boulevard westerly to a point 3,200 feet, more or less, from Brookville Boulevard proposed for park use, as shown dotted on Supplemental Map II-C.

PARCEL 7

Triangular portion of land south of the southerly side of Rockaway Boulevard from 159th Street to 147th Avenue, north of the right-of-way line of Nassau Expressway, proposed for additional lands, as shown cross-hatched on Supplemental Map II-C.

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

SEVENTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated December 21, 1965

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SEVENTH SUPPLEMENTAL AGREEMENT made as of the 21 day of December, 1965 between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "the City," and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called the "Port Authority."

WITNESSETH:

WHEREAS, under date of April 17, 1947 the City and the Port Authority entered into an Agreement With Respect to Municipal Air Terminals, (hereinafter referred to as the "Original Agreement"), providing for the improvement, development, operation and maintenance of John F. Kennedy International Airport and LaGuardia Airport by the Port Authority for a term commencing June 1, 1947 and expiring not later than May 31, 1997; and

WHEREAS, under dates of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960 and August 24, 1965, the City and the Port Authority have duly amended, supplemented and modified said Original Agreement; and

WHEREAS, the City and the Port Authority are agreed that increase in the annual rental payable to the City, commencing with the calendar year 1965, will be in the public interest, and that the financing by the Port Authority of the costs of continued improvement, development, operation and maintenance of said airports will be facilitated by extension of the term of said Original Agreement;

NOW, THEREFORE, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns, that said Original Agreement shall be and it hereby is amended, supplemented and modified as follows:

1. DEFINITIONS

a. Section 1 of the Original Agreement is hereby amended by striking out the definitions of "Gross operating revenue," "Net operating revenue," and "Annual net revenue" and by substituting the following:

"Current year." The calendar year for which the rent is being computed.

"Annual net revenue." The difference between:

(a) the gross revenue of the current year; and

(b) the sum of the following: (1) operation and maintenance expense of the current year; (2) general and administrative expense of the current year; (3) imputed debt service of the current year.

"Gross revenue." All income and revenue of any nature whatsoever, derived by the Port Authority, in any manner whatsoever, or from any source whatsoever, from or in connection with the operation of the municipal air terminals, (including, without limiting the generality of the foregoing, net earnings derived from the investment of municipal air terminal operating funds) except the proceeds of bonds and notes and interest earned on capital funds.

"Operation and maintenance expense." The expense of the Port Authority which is directly attributable to the operation and maintenance of the municipal air terminals during the current year (other than the rent payable to the City by the Port Authority for the demised premises and general and administrative expense). No deduction, allowance or provision for depreciation, except for automotive equipment and equipment ancillary thereto, is to be included in the operation and maintenance expense.

"General and administrative expense." A sum equal to fifteen (15%) percent of the operation and maintenance expense.

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The coordinates hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

ITEM 5

All that certain piece or parcel of land and premises, situate, lying and being in the Borough and County of Queens, in the City and State of New York, between 55th Avenue and 55th Drive produced eastwardly and between 48th Street and 50th Street.

Beginning at a point which is the corner formed by the intersection of the southerly line of 55th Avenue (widened to 70 feet width) with the easterly line of 48th Street (60 feet width) and running thence (1) North 76°-49'-45" East, along said southerly line of 55th Avenue aforesaid, 379.66 feet to the corner formed by the intersection of said southerly line of 55th Avenue aforesaid with the westerly line of 50th Street (70 feet width); thence (2) Southeastwardly, along said westerly line of 50th Street aforesaid and along a line which makes an interior angle of 99°-23'-15.8" with the preceding course, 415.98 feet to the prolongation westwardly of the northerly line of 55th Drive (60 feet width); thence (3) Southwestwardly, along said northerly line of 55th Drive aforesaid and along a line which makes an interior angle of 80°-43'-20.7" with the preceding course, 447.51 feet to said easterly line of 48th Street; thence (4) Northwestwardly, along said easterly line of 48th Street aforesaid and along a line which makes an interior angle of 89°-53'-23.5" with the preceding course, at right angles to said southerly line of 55th Avenue aforesaid, 411.27 feet to the point and place of beginning, containing 169,931 square feet or 3.90 acres.

The bearing hereinabove mentioned in the description of this item refers to grid north established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

The streets and avenues referred to hereinabove in this description are laid down on Alteration Map 3405 in a Communication to the Board of Estimate and Apportionment on February 2, 1950 and referred to the Planning Commission of the City of New York on February 9, 1950.

ITEM 6

All that certain piece or parcel of land and premises situate, lying and being in the Borough and County of Queens, in the City and State of New York, on Rulers Bar Hassock in Jamaica Bay, more particularly bounded and described as follows:

Beginning at a point in the southwesterly line of Cross Bay Boulevard (114.00 feet width), the coordinates of said point being South 70230.16, East 65948.36 and run-

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ning thence (1) Southeastwardly, along said southwesterly line of Cross Bay Boulevard and along the arc of a circle of 4557.00 feet radius, the center of said arc lying to the northeast, said arc being subtended by a central angle of 4°-09'-22.8", the tangent to said arc making an interior angle of 87°-52'-36.6" with course numbered four (4) hereinafter described in this description at its intersection with said course numbered four (4), an arc distance of 330.57 feet to a point on an arc in said southwesterly line of Cross Bay Boulevard, the coordinates of said point being South 70435.28, East 66207.50; thence (2) Southwestwardly, along a line which makes an interior angle of 87°-43'-24.6" with the tangent to the preceding arc at its intersection therewith, 300.00 feet to a point the coordinates of which are South 70669.86, East 66020.49; thence (3) Northwestwardly, along a line which makes an interior angle of 90°-11'-55.2" with the preceding course, 329.23 feet to a point the coordinates of which are South 70465.53, East 65762.35; thence (4) Northeastwardly, along a line which makes an interior angle of 90°-02'-40.8" with the preceding course, 300.00 feet to the point and place of beginning. The area whereof is 98,299 square feet or 2.257 Acres.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

Together with the overhead, surface and sub-surface easements necessary for the operation, maintenance, repair and reconstruction of the power and telephone lines and ducts required for the proper operation of the facilities lying within the above described parcel and all accessories thereto.

Said Cross Bay Boulevard being laid down on Alteration Map 2746, adopted by the Board of Estimate and Apportionment of the City of New York on April 11, 1940.

ITEM 7

Parcels for Piers:

A permit for the construction, reconstruction, maintenance, repair and operation of a pier for approach lighting to Runway "C" at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York in that area more particularly bounded and described as follows:

Pier for Approach Lighting to Runway "C" at New York International Airport

Beginning at a point in the proposed U. S. Pierhead and Bulkhead Line, distant 74.83 feet northwestwardly from the center line of Runway "C" at New York International Airport as aforesaid, measured at right angles thereto, the coordinates of said point being South 61273.932, East 71521.607, and running thence (1) South

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31°-39'-00" West parallel with said center line of said Runway "C" distant 74.83 feet northwestwardly therefrom as aforesaid, parallel with the center line of the Pier for Approach Lighting to said Runway "C", distant 50.00 feet southeastwardly therefrom measured at right angles thereto, 1908.81 feet to a point the coordinates of which are South 62898.844, East 70519.999; thence (2) North 58°-21'-00" West, at right angles to the preceding course, 100.00 feet to a point the coordinates of which are South 62846.371, East 70434.872, said point being distant 50.00 feet northwestwardly from said center line of said Pier aforesaid, measured at right angles thereto; thence (3) North 31°-39'-00" East, parallel with said center line of said Pier and distant 50.00 feet northwestwardly therefrom as aforesaid, at right angles to the preceding course, 1852.51 feet to a point in said U. S. Pierhead and Bulkhead Line, the coordinates of said point being South 61269.388, East 71406.936; thence (4) South 87°-43'-49.2" East, along said U. S. Pierhead and Bulkhead Line aforesaid, 114.76 feet to the point and place of beginning. The area whereof is 183,066 square feet or 4.203 Acres.

A permit for the construction, reconstruction, maintenance, repair and operation of piers for approach lighting to Runway "V" and Middle Marker at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York in all those areas more particularly bounded and described as follows:

Piers for Approach Lighting to Runway "V" at New York International Airport

Beginning at a point in the proposed U. S. Pierhead and Bulkhead Line, the coordinates of said point being South 61413.92, East 75053.66 and running thence (1) South 87°-43'-49.2" East along said Pierhead and Bulkhead Line, 320.00 feet to a point therein the coordinates of which are South 61426.59, East 75373.41; thence (2) South 0°-51'-00" East, 1679.51 feet to a point the coordinates of which are South 63105.92, East 75398.33; thence (3) North 89°-15'-26.6" West, 440.53 feet to a point the coordinates of which are South 63100.21, East 74957.83; thence (4) North 4°-09'-00" East, 1082.78 feet to a point the coordinates of which are South 62020.28, East 75036.19; thence (5) North 1°-39'-00" East, 606.60 feet to the point and place of beginning. The area whereof is 625,675 square feet or 14.36 Acres.

Middle Marker Parcel

Beginning at a point in Jamaica Bay the coordinates of which are South 63885.25, East 75113.16 and running thence (1) South 88°-21'-00" East, 100.00 feet to a point the coordinates of which are South 63888.13, East 75213.12; thence (2) South 1°-39'-00" West, 100.00 feet to a point the coordinates of which are South 63988.09, East 75210.24; thence (3) North 88°-21'-00" West, 100.00 feet to a point the coordinates of

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which are South 63985.21, East 75110.28; thence (4) North 1°-39'-00" East, 100.00 feet to the point and place of beginning. The area whereof is 10,000 square feet or 0.23 Acres.

Together with the necessary rights for a sub-marine cable extending from the Parcel entitled "Pier for Approach Lighting to Runway 'V' at New York International Airport" to the Parcel entitled "Middle Marker Parcel".

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

ITEM 8

All that certain plot, piece or parcel of land, situate, lying and being in the Fifth Ward of the Borough and County of Queens, City and State of New York, bounded and described as follows:

Beginning at the northeasterly corner of Barbadoes Basin, as same is determined by the United States Pierhead and Bulkhead lines, running thence along the northerly line of Barbadoes Basin, as so determined, North 57 degrees, 21 minutes West 1039.70 feet, thence continuing along same, North 46 degrees, 27 minutes West 416 feet to the bulkhead of Brant Channel or Jamaica Bay, thence along said last mentioned bulkhead the following courses and distances, (1) North 8 degrees, 47 minutes East 21 feet, (2) North 35 degrees, 30 minutes East 880 feet, (3) North 77 degrees 7 minutes East 44.50 feet, (4) South 50 degrees, 54 minutes East 808.70 feet, (5) South 21 degrees, 6 minutes East 255.90 feet, (6) South 3 degrees, 6 minutes West 228.60 feet, (7) South 70 degrees, 14 minutes West 168 feet to the corner of a basin, running thence southwesterly through a point on the northeasterly side of Amstel Boulevard (60 feet wide) which point is distant 30.08 feet southeasterly from the corner formed by the intersection of the southeasterly side of Crugers Road with the northeasterly side of Amstel Boulevard, to a point in the centre line of said Amstel Boulevard, thence southeasterly along said centre line of said Amstel Boulevard to a point where same is intersected by a line drawn northerly at right angles to the southerly side of Amstel Boulevard (80 feet wide) from a point thereon distant 161.86 feet westerly from the westerly side of Beach 75th Street; thence southerly at right angles to the southerly side of Amstel Boulevard (80 feet wide) 40 feet more or less to a point thereon distant 161.86 feet westerly from the westerly side of Beach 75th Street and running thence southerly 158.85 feet to the point or place of beginning.

Together with all right, title and interest of the City of New York of, in and to the land lying in the bed of streets in front of and adjoining the above-described

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premises to the center lines thereof. Together with all of the right, title and interest of the City of New York of, in and to the lands under the waters of Brant Channel and Jamaica Bay, in front of and adjacent to the above described premises, so far as said right, title and interest may extend.

Together with the overhead, surface and sub-surface easements necessary for the operation, maintenance, repair and reconstruction of the power and telephone lines, ducts and other utilities required for the proper operation of the facilities lying within the above described parcel and all accessories thereto.

ITEM 9

All those perpetual overhead, surface and sub-surface easements necessary for the proper operation, maintenance and repair of Lights to Guide Aircraft approaching LaGuardia Field, situate, lying and being in the Borough and County of Queens, in the City and State of New York, within the following described parcels:

Parcel 1 (Poles I, 12, J, K, 13, L, M, 14, N, O, 15, P, Q, R, S and T with sub-surface cables in bed of 25th Avenue)

Beginning at a point in the easterly line of 77th Street, distant 168.55 feet northwardly thereon from the corner formed by the intersection of said easterly line of 77th Street with the northerly line of 30th Avenue and running thence (1) Northwardly, along said easterly line of 77th Street, and along a line which makes an interior angle of 40°-00'-00" with course numbered eight (8) hereinafter described in this description, 7.78 feet; thence (2) Northeastwardly, along a line which makes an interior angle of 140°-00'-00" with the preceding course, 1005.70 feet to the southwesterly line of lot numbered 22 in block numbered 1043; thence (3) Southeastwardly, along said southwesterly line of said lot numbered 22 aforesaid, and along a line which makes an interior angle of 62°-50'-26.5" with the preceding course, 5.62 feet to a point distant 184.41 feet northwestwardly measured along said lot line from its intersection with the westerly line of 80th Street, said intersection being distant 101.52 feet northwardly along said westerly line of 80th Street from the corner formed by the intersection of said westerly line of 80th Street with northerly line of 25th Avenue; thence (4) Southwestwardly, parallel with course numbered two (2) hereinabove described in this description and along a line which makes an interior angle of 117°-09'-33.5" with the preceding course, 419.80 feet to a point distant 20.00 feet northwardly from the southerly line of 25th Avenue, measured at right angles thereto; thence (5) Eastwardly, parallel with said southerly line of 25th Avenue, and along a line which makes an interior angle of 310°-09'-00" with the preceding course, 341.20 feet to a point in the prolongation of said westerly line of 80th Street; thence (6) Southwardly, along said prolongation of said westerly line of 80th Street

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at right angles to the preceding course, 5.00 feet; thence (7) Westwardly, parallel to said southerly line of 25th Avenue, distant 15.00 feet northwardly therefrom, measured at right angles thereto, at right angles to the preceding course, 345.40 feet; thence (8) Southwestwardly, parallel with course numbered two (2) hereinabove described in this description and along a line which makes an interior angle of 230°-00'-00" with the preceding course, 582.80 feet to the point and place of beginning, containing 6,750 square feet more or less or 0.1550 acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcel.

The streets and avenues referred to hereinabove in this description are laid down on the maps showing street system for the territory designated as Sections 8 and 9 of the Final Maps of the Borough of Queens, which maps were adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912 and February 8, 1912, respectively.

Parcel 2 (Pole H)

Beginning at a point in the westerly line of 80th Street, distant 275.5 feet southwardly thereon from the corner formed by the intersection of said westerly line of 80th Street with the southerly line of 24th Avenue and running thence (1) Southwardly, along said westerly line of 80th Street, 5.0 feet; thence (2) Westwardly, parallel with said southerly line of 24th Avenue, 37.5 feet; thence (3) Northwardly, parallel with said westerly line of 80th Street, 5.0 feet; thence (4) Eastwardly, parallel with said southerly line of 24th Avenue, 37.5 feet to the point and place of beginning, containing 188 square feet more or less or 0.0043 Acres.

Parcel 3 (Pole 10)

Beginning at a point in the easterly line of 80th Street, distant 94.5 feet southwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the southerly line of 24th Avenue and running thence (1) Eastwardly, parallel with said southerly line of 24th Avenue, 50.0 feet; thence (2) Southwardly, parallel with said easterly line of 80th Street, 5.0 feet; thence (3) Westwardly, parallel with said southerly line of 24th Avenue, 50.0 feet to said easterly line of 80th Street; thence (4) Northwardly, along said easterly line of 80th Street, 5.0 feet to the point and place of beginning, containing 250 square feet more or less or 0.0057 Acres.

Parcel 4 (Pole E)

Beginning at a point in the southerly line of 24th Avenue, distant 94.0 feet eastwardly thereon from the corner formed by the intersection of said southerly line of 24th Avenue with the easterly line of 80th Street and running thence (1) Eastwardly,

along said southerly line of 24th Avenue, 5.0 feet; thence (2) Southwardly, parallel with said easterly line of 80th Street, 58.0 feet; thence (3) Westwardly, parallel with said southerly line of 24th Avenue, 5.0 feet; thence (4) Northwardly, parallel with said easterly line of 80th Avenue, 58.0 feet to the point and place of beginning, containing 290 square feet more or less or 0.0067 Acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcels.

The street and avenue referred to in the descriptions of Parcels 2, 3 and 4 hereinabove are laid down on the "Map showing Street system for the territory designated as Section 8 of the Final Maps of the Borough of Queens," which map was adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912.

Parcel 5 (Pole C)

Beginning at a point in the westerly line of 82d Street, distant 105.5 feet northwardly thereon from the corner formed by the intersection of said westerly line of 82d Street with the northerly line of Astoria Boulevard (130 feet width) and running thence (1) Westwardly, at right angles to said westerly line of 82d Street, 95.0 feet; thence (2) northwardly, at right angles to the preceding course 5.0 feet; thence (3) Eastwardly, at right angles to said westerly line of 82d Street, 95.0 feet to said westerly line of 82d Street; thence (4) Southwardly, along said westerly line of 82d Street, 5.0 feet to the point and place of beginning, containing 475 square feet more or less or 0.0109 Acres.

Parcel 6 (Pole G)

Beginning at a point in the easterly line of 82d Street, distant 80.0 feet Southwardly thereon from the corner formed by the intersection of said easterly line of 82d Street with the southerly line of Grand Central Parkway and running thence (1) Eastwardly, at right angles to said easterly line of 82d Street, 65.0 feet; thence (2) Southwardly, at right angles to the preceding course, 5.0 feet; thence (3) Westwardly, at right angles to said easterly line of 82d Street, 65.0 feet to said easterly line of 82d Street; thence (4) Northwardly, along said easterly line of 82d Street, 5.0 feet to the point and place of beginning, containing 325 square feet more or less, or 0.0075 Acres.

Parcel 7 (Pole A)

Beginning at a point in the southerly line of Grand Central Parkway, distant 96.28 feet westwardly thereon from the corner formed by the intersection of said southerly line of Grand Central Parkway with the westerly line of 83d Street and

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running thence (1) Southwardly, parallel with said westerly line of 83d Street, 58.48 feet; thence (2) Westwardly, at right angles to the preceding course, 5.0 feet; thence (3) Northwardly, parallel to said westerly line of 83d Street, 57.42 feet to said southerly line of Grand Central Parkway; thence (4) Eastwardly, along said southerly line of Grand Central Parkway, 5.11 feet to the point and place of beginning, containing 290 square feet more or less or 0.0067 Acres.

Together with the right of access to all poles, power lines, lights, ducts and any accessory equipment thereto lying within the above described parcels.

The streets, boulevard and parkway referred to in the descriptions of Parcels 5, 6 and 7 hereinabove are laid down on the "Map showing street system for the territory designated as Section 8 of the Final Maps of the Borough of Queens," which map was adopted by the Board of Estimate and Apportionment of the City of New York on December 12, 1912.

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THE CITY OF NEW YORK

and

THE PORT OF NEW YORK AUTHORITY

THIRD SUPPLEMENTAL AGREEMENT

With Respect to

MUNICIPAL AIR TERMINALS

Dated May 28, 1956

Agreement (hereinafter referred to as "Third Supplemental Agreement") made as of this 28th day of May, 1956, by and between The City of New York, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and The Port of New York Authority, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

Witnesseth, That:

Whereas, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5), and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

Whereas, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

Whereas, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

Whereas, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

Now, Therefore, for and in consideration of the agreements and covenants herein contained the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

I. Definitions

Except as hereinafter expressly provided any words or phrases used in this Third Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. Discharge of Obligation of City to Acquire Parcel 6—New York International Airport

The City is hereby wholly relieved and discharged of its obligation under the Original Agreement, as modified by the Second Supplemental Agreement, to acquire by condemnation the parcel designated as "6" and shown colored in yellow and by hatching on Supplemental Map II-A annexed to the Second Supplemental Agreement. There shall be no reduction in rent or in the Port Authority's obligation under paragraph 19 of the Original Agreement by reason of this discharge and release of the above described obligation of the City.

III. Nassau Expressway—New York International Airport

Section 2 of the Original Agreement as amended and supplemented by the Second Supplemental Agreement is hereby amended by substituting the following in the place and stead of the last paragraph thereof:

> "If within ten (10) years from the date of the Second Supplemental Agreement the construction of Nassau Expressway has been authorized and actually started the Port Authority hereby consents to the reduction of the demised premises to the extent of the strip shown colored in orange and by hatching on Supplemental Map II-A annexed to the said Second Supplemental Agreement, *provided*, that said strip shall be held by the City for and during the term for which the demised premises are leased, for street, park or expressway purposes and for no other purpose or purposes whatsoever, and *provided, further,* that access between the Expressway and the demised premises shall be provided at the two points designated as 'Access No. 1' and 'Access No. 2' on said Supplemental Map No. II-A and that traffic interchange facilities between said Expressway, the intersecting streets and the demised premises shall be provided at the two points designated as 'Traffic Interchange No. 1' and 'Traffic Interchange No. 2'

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on said Supplemental Map II-A. The Port Authority shall have the right at its own cost and expense to install and maintain in and under the Expressway such utility facilities as it shall deem necessary in connection with its use of the demised premises whether the same shall be installed before, during or after the construction of the Expressway, *provided,* that they shall be located therein and thereunder at places agreed upon between the City and the Port Authority and shall be installed pursuant to plans and specifications which shall be subject to approval by the Chief Engineer of the Board of Estimate (which approval shall not be unreasonably withheld), *provided, further,* that the Port Authority shall proceed with the work of installing such utility facilities in such manner as to minimize, as much as it reasonably can, interference with vehicular traffic upon said Expressway and shall, without cost or expense to the City, and with reasonable promptness after the completion of the work of installing such utility facilities, restore to as good a condition as existed immediately prior to the commencement of the work, so much of the improved surface of the Expressway as may be damaged by such work. All work of protecting in place and relocating such utility facilities by reason of the Expressway construction shall be done without cost or expense to the Port Authority."

IV. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement is hereby amended and supplemented by adding as Item 10 thereof the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as amended and supplemented hereby.

V. SURRENDER OF PORTION OF DEMISED PREMISES—NEW YORK INTERNATIONAL AIRPORT—ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit: during the term for which the demised premises are leased,

///

1. the Port Authority and the Civil Aeronautics Administration shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority for the safe and efficient operation of New York International Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and the Civil Aeronautics Administration, its and their duly designated employees, contractors and agents shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such approach lighting systems, other aids to avigation, and facilities incidental thereto; any facilities so installed by the Port Authority shall at all times be maintained by it without cost to the City;

2. the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of New York International Airport or the normal flight operations of aircraft; the City shall, at the request of the Port Authority, abate any smoke or vapor; the City shall not erect or install any structure, building, tower, pole, wire or other object or installation or portion thereof, the construction, maintenance or operation of which would constitute a hazard to avigation without the prior approval of the Port Authority; the City shall not, except with the express written consent of the Port Authority, furnish any services or operate any facility upon the said premises for the accommodation and convenience of its invitees and employees or those of its contractors, agents, licensees, and permittees which would be or tend to be competitive with the furnishing of services or the operation of facilities at New York International Airport by the Port Authority or its tenants, licensees, permittees or agents for the accommodation and convenience of its and their invitees and employees, *provided, however,* that the City may, without the express written consent of the Port Authority but subject to the other conditions of this surrender, provide, operate, maintain or permit the operation and maintenance of:

(a) recreational facilities suitable for use for picnicking, boating, baseball, softball, court games, tennis and playground activities;

(b) facilities for the parking of motor vehicles of persons using the aforesaid recreational facilities; and

(c) such restaurant and/or "snack bar" facilities as are usually provided for the accommodation and convenience of persons using such recreational facilities as are above described;

and the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated and maintained by or on behalf of the Port Authority or the Civil Aeronautics Administration;

3. the Port Authority may permit the occupants of the various buildings within the premises herein surrendered to remain in occupancy thereof and the Port Authority shall have the right to continue to collect and retain for its own account the payments for use and occupancy or the rents therefor until such time as the Port Authority shall terminate said occupancies and demolish or remove said buildings from said premises, *provided,* that, upon ninety (90) days' written notice from the City, the Port Authority shall take all reasonably practicable steps to terminate any occupancy and demolish or remove any building which may be specified in any such notice, *provided, further,* however, that, inasmuch as the building situated within Lot 64 of Block 13435 of Section 56 of the Tax Map of The City of New York for the Borough of Queens, as said Tax Map was on May 25, 1953, is being used in connection with operations at New York International Airport, no such notice shall be given by the City with respect to the termination of said occupancy or the demolition or removal of said building during the six month period beginning on the date of execution of this Third Supplemental Agreement. The Port Authority shall have the right to collect and retain for its own account the proceeds of the sale of such buildings and the fixtures therein contained; and

4. the City shall not place fill in or upon the premises surrendered in accordance with Section V of this Third Supplemental Agreement or place any structures thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, *provided,* that such approval shall not be withheld unreasonably.

VI. Surrender of Surplus Parcel—Item 5—Substituted Schedule A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described as Item 5 in the Substituted Schedule A attached to the Second Supplemental Agreement, and all the estate, right, title, interest, term of years, property, claims and demands whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever.

VII. Rent

There shall be no reduction in rent or the Port Authority's obligations under the agreement with respect to Municipal Airports as amended and supplemented by reason of the release or surrender of any of the premises herein provided for.

In Witness Whereof, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

Thomas A. Levane (Sgd.)
Acting City Clerk

(Seal)

The City of New York

Robert F. Wagner (Sgd.)
Mayor

Attest:

Joseph G. Canty (Sgd.)
Secretary

(Seal)

The Port of New York Authority

Austin J. Tobin (Sgd.)
Executive Director

Approved as to Form

Peter Campbell Brown (Sgd.)
Corporation Counsel

Approved as to Form

Sidney Goldstein (Sgd.)
General Counsel

SWA H E O'D

R C S

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STATE OF NEW YORK
COUNTY OF NEW YORK } ss.:
CITY OF NEW YORK

On this 31st day of May, 1956, before me personally came THOMAS A. LEVANE, with whom I am personally acquainted, and known to me to be the Acting City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn, did depose and say that he resides at 25 Indian Road, Borough of Manhattan, City of New York; that he is the Acting City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Estimate, and that he signed his name thereto as Acting City Clerk by like authority; and further that he knows and is acquainted with ROBERT F. WAGNER, and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said THOMAS A. LEVANE, that he executed the same, and he, the said THOMAS A. LEVANE thereupon subscribed his name thereto.

JOSEPH A. FANELLI (Sgd.)
Notary Public
JOSEPH A. FANELLI
Commissioner of Deeds, City of New York
New York County Clerk's No. 19
Commission Expires March 15, 1957.

(SEAL)

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 11th day of May, 1956, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at 320 Central Park West, New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY; and that he signed his name thereto by like order.

SHICKREY ANTON (Sgd.)
SHICKREY ANTON
Notary Public, State of New York
No. 30-0081525
Qualified in Nassau County
Commission Expires March 30, 1957

(SEAL)

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SUPPLEMENT TO SUBSTITUTED SCHEDULE A

ITEM 10

All those lots, pieces or parcels of land, with the buildings and improvements thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL A

BEGINNING at a point which is the intersection of the northerly line of Rockaway Boulevard as now legally opened with the southerly extension of the center line of Walbridge Street (now sometimes known as Springfield Boulevard) as shown on the "Map of the Higbie Addition, Sheffield Manor, 4th Ward, Borough of Queens" surveyed July 1906 by Alex D. Murphy and amended for the Title Guarantee & Trust Company by E. W. Conklin, surveyed December 1906 and filed as Map #135 in the Register's Office, County of Queens and running thence

(1) northwardly, along said center line of Walbridge Street as extended and along said center line of Walbridge Street 1580 feet more or less to an extension of the southerly line of Lot 25 in Block 17 as shown on said Map of the Higbie Addition; thence

(2) eastwardly, along said southerly line of Lot 25 and the extension thereof 132 feet more or less to the westerly line of lands now or formerly of George Wagner being also the easterly line of Lot 26 in Block 17 as shown on said Map of the Higbie Addition; thence

(3) southwardly, along said westerly line of lands now or formerly of George Wagner 10 feet more or less to a point in the southerly line of said lands now or formerly of George Wagner; thence

(4) eastwardly, along said southerly line of lands now or formerly of George Wagner being also the northerly line of lands now or formerly of J. & S. Jeanetti and along the extension thereof 260 feet more or less to the center line of Springfield Lane (60 foot width) as shown on the "Map of Kinsey Park, Property of Land Estates Incorp. situated at Springfield in the Fourth Ward, Borough of Queens, City and State of New York" surveyed April 27, 1922, by Raymond Page, City Surveyor, and filed as Map #4286 in the Register's Office, County of Queens; thence

(5) along said center line of Springfield Lane (60 foot width) 6 feet more or less to an extension of the southerly line of lands now or formerly of Herbert H. Reynolds, being also an extension of the southerly line of Lot 29 in Block 1 as shown on said Map of Kinsey Park; thence

(6) eastwardly, along the southerly line of lands now or formerly of Herbert H. Reynolds, Joseph Hallahan and Mary Bazzano and the extension thereof being also the southerly line of Lots 29 and 30 in Block 1, Lots 15 and 42 in Block 2 and the extension thereof as shown on said Map of Kinsey Park 518 feet more or less to the easterly line of 207th Street as shown on said Map of Kinsey Park; thence

(7) southwardly, along said easterly line of 207th Street 22 feet more or less to the southerly line of lands now or formerly of Lottie Johannsen being also the southerly line of Lot 31 in Block 3 as shown on said Map of Kinsey Park; thence

(8) eastwardly, along said southerly line of lands now or formerly of Lottie Johannsen being also the southerly line of Lots 31 and 43 in Block 3 as shown on said Map of Kinsey Park and along the extension thereof 220 feet more or less to the center line of 208th Street (80 foot width) as shown on said Map of Kinsey Park (sometimes known as 225th Street); thence

(9) southwardly, along said center line of 208th Street 78 feet more or less to an extension of the southerly line of lands now or formerly of Theodore Wagenblast being also an extension of the southerly line of Lot 17 in Block 5 as shown on said Map of Kinsey Park; thence

(10) eastwardly, along said southerly line of Theodore Wagenblast and its extension 130 feet more or less to the westerly line of lands now or formerly of Chiarina Regolini being also the westerly line of Lots 25, 26, 27, 28 and 29 in Block 5 as shown on said Map of Kinsey Park; thence

(11) southwardly, along said westerly line of lands now or formerly of Chiarina Regolini a distance of 120 feet more or less to the southerly line of lands now or formerly of Chiarina Regolini being also the southerly line of Lot 25 in Block 5 as shown on said Map of Kinsey Park; thence

(12) eastwardly, along said southerly line of lands now or formerly of Chiarina Regolini, Salvatore and Anthony Simonetti and the White Co. being also the southerly line of Lot 25 in Block 5, Lots 21, 22 and 23 in Block 7 and Lots 18, 19 and 20 in Block 9 all as shown on said Map of Kinsey Park a distance

of 660 feet more or less to the center line of 211th Street (60 foot width) as shown on said Map of Kinsey Park; thence

(13) southwardly, along an extension of said center line of 211th Street as shown on said Map of Kinsey Park 2040 feet more or less to the northerly line of Rockaway Boulevard as now legally opened; thence

(14) westwardly, along said northerly line of Rockaway Boulevard 1820 feet more or less to the point and place of BEGINNING.

PARCEL B

BEGINNING at a point which is the intersection of the extension of the center line of 215th Street (60 foot width) as shown on the "Map of Jamaica Gardens South, 4th Ward, Borough of Queens, New York City" surveyed Feb. 1, 1924 by Evans Bros., and filed as Map #4507 in the Register's Office, Queens County, with the extension of the center line of 149th Avenue (80 foot width) as shown on said Map of Jamaica Gardens South, and running thence

(1) southwardly, along said center line of 215th Street and the extension thereof, 1832 feet more or less to the northerly line of Rockaway Boulevard as now legally opened; thence

(2) eastwardly, along said northerly line of Rockaway Boulevard, 1851 feet more or less to the center line of 238th Street (60 foot width) as shown on a map entitled "City of N. Y., Borough of Queens, Office of the President, Topographical Bureau, Map No. 3091, The Relocation of Rockaway Boulevard, in the Fourth Ward, New York, Aug. 5, 1948," etc., filed in the Register's Office, Queens County as Map #8131; thence

(3) northwardly, along said center line of 238th Street and along the extension thereof, parallel with course numbered one (1) hereinabove described 1370 feet; thence

(4) eastwardly, at right angles to the preceding course, 265 feet; thence

(5) northwardly, at right angles to the preceding course, 410 feet more or less to a point in the westerly line of Brookville Boulevard as now legally opened, formerly known as Foster's Meadow Road; thence

(6) northwardly, along said westerly line of Brookville Boulevard, 775 feet more or less to the center line of John Street (40 foot width) as shown on a

map entitled "E. E. Meacham & Sons, South Rosedale, Fourth Ward, Borough of Queens, Surveyed and Subdivided by H. S. Thomson, City Surveyor," dated Feb. 1st, 1907, and filed in the Register's Office, Queens County as Map #989 (old) and 1183 (new); thence

(7) westwardly, along said center line of John Street and along a line in extension thereof, 595 feet more or less to the intersection with a line in extension of the center line of 149th Avenue as shown on said Map of Jamaica Gardens South; thence

(8) westwardly, along said extension of the center line of 149th Avenue and along said center line of 149th Avenue, 1073 feet more or less to the point and place of BEGINNING.

PARCEL C

ALL that certain plot, piece or parcel of land situate, lying and being at or near Springfield, in the 4th Ward, Borough of Queens, County of Queens, City and State of New York, bounded and described as follows:

BEGINNING at a stake driven in the ground where the northeasterly side of Rockaway Boulevard (formerly Turnpike) intersects the center line of an old ditch which said center line of said ditch is the southeasterly line of land now or formerly of John L. Compton; thence from said point of beginning running thence North 20 degrees 20 minutes East along the center line of said ditch 373.76 feet to a stake driven in the ground at a point where said center line of said ditch intersects the center line of another certain old ditch; thence North 62 degrees 56 minutes 20 seconds East along the center line of said last mentioned ditch through a stake, a line of old posts and old stake and another stake, along the southerly line of land now or formerly of Kornville, Isaac Baylis & Nicholas Clement, respectively, 1356 feet more or less to a small brook adjoining the southwesterly line of land now or formerly of Nicholas Ludlum; thence Easterly, Southeasterly, Easterly and Southeasterly, along the center line of said small brook adjoining the land now or formerly of said Ludlum as it winds and turns, 275 feet more or less to a point where the same is intersected by the center line of another certain old ditch adjoining the land now or formerly of Burdett C. Douglas; thence South 67 degrees 25 minutes 5 seconds West through an old stake and center line of a ditch adjoining the northerly line of land now or formerly of said Douglas 1456 feet more or less to a point where said center line of said last mentioned ditch intersects the center line of a certain slough or creek adjoining the westerly line of land of said Douglas; thence Southerly, Southeasterly and Southwesterly along the center line of the last men-

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tioned creek and along the westerly line of now or formerly Douglas, land now or formerly of Wright B. Higbie and land formerly of Derrick Remsen, 255 feet more or less to a point where the same is intersected by the northwesterly boundary line of land now or formerly of Frank Muller; thence South 17 degrees 29 minutes West through a stake in said line of land of Muller 243 feet more or less to a stake in the ground on the northeasterly side of Rockaway Boulevard; and thence North 45 degrees 55 minutes West along the said northeasterly side of Rockaway Boulevard 250.8 feet to the point or place of BEGINNING.

SUBJECT, however, to the following:

1. Outstanding title in any of the parcels herein in the People of the State of New York and liens and encumbrances in favor of the People of the State of New York which reduce the estate or interest of any of the former owners.

2. Encroachments, if any, upon the premises herein described of any structures and appurtenances standing or maintained partly upon the premises herein described and partly upon adjoining premises.

3. Any state of facts which an accurate survey may show.

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

FOURTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated November 6, 1958

AGREEMENT (hereinafter referred to as "Fourth Supplemental Agreement") made as of this 6th day of [illegible], 1958, by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

WITNESSETH, That:

WHEREAS, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5) and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

WHEREAS, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authoriz by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

WHEREAS, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

WHEREAS, under date of May 28, 1956, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Third Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Third Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on April 26, 1956 (Cal. No. 111) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 10, 1956, and

WHEREAS, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

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I. DEFINITIONS

Except as hereinafter expressly provided any words or phrases used in this Fourth Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement and amended and supplemented by the Third Supplemental Agreement is hereby further amended and supplemented by adding as Items 11, 12 and 13 thereof, the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as substituted by the Second Supplemental Agreement, amended and supplemented by the Third Supplemental Agreement and as amended and supplemented hereby.

III. SURRENDER OF PORTION OF DEMISED PREMISES - LA GUARDIA AIRPORT - ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in Item 13 of the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit during the term for which the demised premises are leased,

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1. the Port Authority and the Civil Aeronautics Administration shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority or of the Civil Aeronautics Administration for the safe and efficient operation of La Guardia Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and the Civil Aeronautics Administration, its and their duly designated employees, contractors and agents shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such approach lighting systems, other aids to avigation, and facilities incidental thereto;

2. the City shall use the premises herein surrendered for park purposes and for no other purpose whatseever; the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of La Guardia Airport or the safe and unrestricted passage of aircraft in and over the same; the City shall abate any smoke or vapor, at the request of the Port Authority; the City shall not erect, install or maintain any structure, building, tower, pole, wire or other object the construction, maintenance or operation of which would constitute a hazard to avigation in the opinion of the Port Authority;

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3. the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated or maintained by or on behalf of the Port Authority or the Civil Aeronautics Administration; and

4. the City shall not place fill in or upon the premises surrendered by Section III of this Fourth Supplemental Agreement or place any structures or buildings thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, provided that such approval shall not be withheld unreasonably.

IV. SURRENDER OF SURPLUS PARCEL - ITEM 9 - SUBSTITUTED SCHEDULE A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described as Item 9 in the Substituted Schedule A attached to the Second Supplemental Agreement and all the estate, right, title, interest, term of years, property claims and demands whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lea agreement, to have and to hold said premises herein surrendered unt the City, its successors and assigns forever.

V. LEASE OF ADDITIONAL DEMISED PREMISES - NEW YORK INTERNATIONAL AIRPORT - LANDS UNDER WATER

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City, for air terminal purposes and for purposes incidental thereto, so much of the additional lands shown by hatching on the map of New York International Airport annexed hereto marked "Supplemental Map II-B" as are owned by the City, to have and to hold unto the Port Authority from the date of this Fourth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in the said Original Agreement.

In the event that it should be necessary for an application to be made to the State of New York to remove any cloud upon the title of the City with respect to said premises, the City shall cooperate with the Port Authority with respect to any and all applications, measures or other action appropriate for the effectuation of said purpose.

VI. RENT

There shall be no reduction in rent or the Port Authority's obligations under the agreement with respect to the Municipal Air Terminals as amended and supplemented by reason of the release or surrender of any of the premises herein provided for.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this

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Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

/s/ [illegible]
City Clerk

THE CITY OF NEW YORK

/s/ [illegible]
Deputy Mayor

Attest:

/s/ [illegible]
Secretary

THE PORT OF NEW YORK AUTHORITY

/s/ [illegible]
Executive Director

Approved as to Form

[illegible]
Corporation Counsel

(Contract)

Approved as to Form

/s/ [illegible]
Asst. General Counsel

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss:

On this 6th day of November, 1958, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at 320 Central Park West, New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY and that he signed his name thereto by like order.

/s/ ALBERT J. BUCKLEY

ALBERT J. BUCKLEY
NOTARY PUBLIC STATE OF NEW YORK
NO 60 - 0479065
QUALIFIED IN WESTCHESTER COUNTY
COMMISSION EXPIRES MARCH 30, 1959

STATE OF NEW YORK
COUNTY OF NEW YORK } ss:
CITY OF NEW YORK

On the 19th day of March, 1958, before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at 308 East 79th Street, Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with ROBERT T. WAGNER and knows him to be the person described in and who as Deputy Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said HERMAN KATZ, that he executed the same, and he, the said HERMAN KATZ thereupon subscribed his name hereto.

[illegible] Freedman
Frieda Freedman
Commissioner of Deeds, City of New York
by County Clerk No. 6?
Commission Expires Oct 8, [illegible]

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SUPPLEMENT TO SUBSTITUTED SCHEDULE A

ITEM 11

PIER FOR APPROACH LIGHTING TO RUNWAY "V PRIME" AT NEW YORK INTERNATIONAL AIRPORT

A permit for the construction, reconstruction, maintenance, repair and operation of a pier for approach lighting to Runway "V Prime" at New York International Airport in Jamaica Bay, in the Borough and County of Queens, in the City and State of New York, in that area more particularly bounded and described as follows:

BEGINNING at a point in the prolongation southwardly of the center line of proposed Runway V' of New York International Airport distant South 1°-39' West 500.00 feet thereon from the southerly end of said runway, the coordinates of said point being South 61,423.13, East 78,235.35 and running thence (1) South 88°-21' East, 50.00 feet to a point, the coordinates of said point being South 61,424.57, East 78,285.33; thence (2) South 1°-39' West, parallel with said center line of runway prolonged, distant 50.00 feet southeastwardly therefrom, measured at right angles thereto, 2510.00 feet to a point, the coordinates of said point being South 63,933.53, East 78,213.05; thence (3) North 88°-21' West, 100.00 feet to a point, the coordinates of said point being South 63,930.65, East 78,113.09; thence (4) North 1°-39' East, parallel with said center line of runway prolonged, distant 50.00 feet northwestwardly therefrom, measured at right angles thereto, 2510.00 feet to a point, the coordinates of said point being South 61,421.69, East 78,185.37; thence (5) South 88°-21' East, 50.00 feet to the point and place of beginning, the area whereof is 5.76 acres more or less.

Bearings of lines and coordinates as herein described refer to the rectangular system in use in the Borough of Queens which refers to the former Southeasterly corner of 10th Avenue and West 225th Street in the Borough of Manhattan as origin and the former easterly line of 10th Avenue as meridian or principal axis, the latter being inclined 28°-59'-13.5"± eastward or clockwise from the axis of the Brooklyn system, which is the meridian through United States Coast & Geodetic Station "Prospect Water Tower".

ITEM 12

MIDDLE MARKER PARCEL - RUNWAY "V PRIME" - NEW YORK INTERNATIONAL AIRPORT

BEGINNING at a point in the prolongation southwardly of the center line of proposed Runway V' of New York International Airport, distant South 1°-39' West 3475.00 feet thereon from the southerly end of said runway, the coordinates of said point being South 64,396.89, East 78,149.69 and running thence (1) South 88°-21' East, 50.00 feet to a point, the coordinates of said point being South 64,398.33, East 78,199.67; Thence (2) South 1°-39' West, parallel with said center line of runway prolonged, distant 50.00 feet southeastwardly therefrom, measured at right angles thereto, 100.00 feet to a point, the coordinates of said point being South 64,498.29, East 78,196.79; thence (3) North 88°-21' West, 100.00 feet to a point, the coordinates of said point being South 64,495.41, East 78,096.83; thence (4) North 1°-39' East, parallel with said center line of runway prolonged, distant 50.00 feet northwestwardly therefrom, measured at right angles thereto, 100.00 feet to a point, the coordinates of said point being South 64,395.45, East 78,099.71; thence (5) South 88°-21' East, 50.00 feet to the point and place of beginning, the area whereof is 0.23 acres more or less.

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Together with the necessary rights for a submarine cable extending from the parcel entitled "Pier for Approach Lighting to Runway 'V Prime' at New York International Airport" to the parcel entitled "Middle Marker Parcel - Runway 'V Prime' - New York International Airport".

Bearings of lines and coordinates as herein described refer to the rectangular system in use in the Borough of Queens which refers to the former Southeasterly corner of 10th Avenue and West 225th Street in the Borough of Manhattan as origin and the former easterly line of 10th Avenue as meridian or principal axis, the latter being inclined 28°-59'-13.5"± eastward or clockwise from the axis of the Brooklyn system, which is the meridian through United States Coast & Geodetic Station "Prospect Water Tower".

ITEM 13

ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL 1

BEGINNING at a point which is the intersection of the easterly line of 78th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, 200.00 feet to the westerly line of 79th Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 79th Street, at right angles to the preceding course, 192.82 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (3) Southwestwardly,

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parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto and along a line which makes an interior angle of 139°-59'-20" with the preceding course, 155.54 feet to the westerly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and a point in the center line of the block; thence (4) Northwardly, along said westerly line of lands condemned as aforesaid, along said center line of block and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 170.59 feet to the southerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated May 18, 1956 and Recorded on May 21, 1956 in the Register's Office of Queens County in Liber 6876 of Deeds at page 531 therein; thence (5) Westwardly, along said southerly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 282°-44'-40" with the preceding course, 51.28 feet; thence (6) Westwardly, continuing along said southerly line of lands conveyed by Arde Bulova and along a line which makes an interior angle of 183°-19'-20" with the preceding course, 52.02 feet to said easterly line of 78th Street; thence (7) Northwardly, along said easterly line of 78th Street and along a line which makes an interior angle of 73°-56'-00" with the preceding course, at right angles to said southerly line of 25th Avenue, 167.08 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 and part of Lot 14 in Block 1055, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 2

BEGINNING at a point which is the intersection of the easterly line of 79th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, at right angles to said easterly line of 79th Street, 101.86 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (2) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto, along the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and along a line which makes an interior angle of 49°-59'-20" with the preceding course, 158.43 feet to said easterly line of 79th Street; thence (3) Northwardly, along said easterly line of 79th Street and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 121.34 feet to the point and place of BEGINNING.

Being the premises known as part of Lot 1 and part of Lot 11, in Block 1056, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 3

BEGINNING at a point which is the intersection of the northerly line of 25th Avenue (70.00 feet wide) with the easterly line of 79th Street (60.00 feet wide) and running thence (1) Northwardly, along said easterly line of 79th Street, at right angles to said northerly line of 25th Avenue, 450.00 feet to the northerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated

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July 2, 1956 and recorded on July 9, 1956 in the Register's Office of Queens County in Liber 6891 of Deeds at page 645 therein; thence (2) Eastwardly, at right angles to the preceding course and along said northerly line of lands conveyed by Arde Bulova as aforesaid, 53.75 feet to the easterly line of lands conveyed by Arde Bulova as aforesaid; thence (3) Southwardly, along said easterly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 112°-46'-03" with the preceding course, 108.49 feet to the northerly line of lands conveyed by Clara Maurer to The Port of New York Authority by Deed dated June 12, 1956 and recorded on June 12, 1956 in the Register's Office of Queens County in Liber 6883 of Deeds at page 632 therein; thence (4) Eastwardly, along said northerly line of lands conveyed by Clara Maurer as aforesaid and along a line which makes an interior angle of 247°-13'-57" with the preceding course, 104.29 feet to the westerly line of 80th Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 80th Street, at right angles to the preceding course, 350.00 feet to the corner formed by the intersection of said westerly line of 80th Street with said northerly line of 25th Avenue; thence (6) Westwardly, along said northerly line of 25th Avenue, at right angles to the preceding course, 200.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 18, 20, 22, 24 and part of 32, in Block 1043, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 4

BEGINNING at a point in the easterly line of 80th Street (60.00 feet wide) distant 125.00 feet northwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the northerly line of 25th Avenue (70.00 feet wide) said point lying in the southerly line of lands conveyed by John & Christine Harvan to The Port of New York Authority by Deed dated June 14, 1956 and Recorded in the Register's Office of Queens County on June 15, 1956 in Liber 6884 of Deeds at page 528 therein and running thence (1) Northwardly, along said easterly line of 80th Street, 375.00 feet to the northerly line of lands conveyed by Wilhelmina Kobryn to The Port of New York Authority by Deed dated July 10, 1956 and Recorded in the Register's Office of Queens County on July 12, 1956 in Liber 6892 of Deeds at page 627 therein; thence (2) Eastwardly, along said northerly line of lands conveyed by Wilhelmina Kobryn as aforesaid, 100.00 feet to the westerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (3) Northwardly, along said westerly line of lands acquired as aforesaid, 100.00 feet to the southerly line of 24th Avenue (70.00 feet wide); thence (4) Eastwardly, along said southerly line of 24th Avenue, 100.00 feet to the corner formed by the intersection of said southerly line of 24th Avenue with the westerly line of 81st Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 81st Street, 325.00 feet to the southerly line of lands conveyed by Ellen Shelby to The Port of New York Authority by Deed dated June 27, 1956 and Recorded in the Register's Office of Queens County on June 28, 1956 in Liber 6888

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of Deeds at page 231 therein; thence (6) Westwardly, along said southerly line of lands conveyed by Ellen Shelby aforesaid, 100.00 feet to the center line of the block and a point in the easterly line of lands conveyed by Joseph Somma to The Port of New York Authority by Deed dated February 8, 1956 and Recorded in the Register's Office on February 9, 1956 in Liber 6849 of Deeds at page 454 therein; thence (7) Southwardly, along said center line of block and along said easterly line of lands conveyed by Joseph Somma as aforesaid, along the easterly line of lands conveyed by George & Rose Strnad by Deed dated July 23, 1956 and Recorded on July 30, 1956 in the Register's Office of Queens County by Torrens Certificate numbered 189, along the easterly line of lands acquired by The Port of New York Authority in Condemnation Proceedings in which title vested on June 6, 1956, along the easterly line of lands conveyed by John & Christine Harvan as aforesaid, 150.00 feet to said southerly line of lands conveyed by John & Christine Harvan; thence (8) Westwardly, along said southerly line of lands conveyed by John & Christine Harvan as aforesaid, 100.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 6, 9, 11, 14, 16, 20, 43, 45, 46, 48, 49, 50, 51, 52, 53, 54, 56, 57 and 59 in Block 1044, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 5

BEGINNING at a point which is the intersection of the southerly line of 24th Avenue (70.00 feet wide) with the easterly line of 81st Street (60.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 24th Avenue, 125.00 feet to the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Southwardly, along said easterly line of lands acquired as aforesaid, 100.00 feet to a southerly line of lands acquired as aforesaid; thence (3) Westwardly, along said southerly line of lands acquired as aforesaid, 25.00 feet to the center line of the block and another easterly line of lands acquired by condemnation as aforesaid; thence (4) Southwardly, along said lands acquired by condemnation and along the easterly line of lands conveyed by Andrew Haurylak by Deed dated September 28, 1956 and Recorded in the Register's Office of Queens County on September 28, 1956 in Liber 6916 at page 83 therein, 75.00 feet to the southerly line of lands conveyed by Andrew Haurylak aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed by Andrew Haurylak, 100.00 feet to said easterly line of 81st Street; thence (6) Northwardly, along said easterly line of 81st Street, 175.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 1, 2, 3, 4, 57, 58 and 59, in Block 1045, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 6

BEGINNING at a point which is the intersection of the westerly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Westwardly, along said northerly line of Astoria Boulevard, 133.44 feet to the westerly line of lands conveyed by Stephen, Electra, George and Eftalia Milonas to the Port of New York Authority by Deed dated February 1, 1957 and Recorded in the Register's Office of Queens County on February 5, 1957 in Liber 6950 of Deeds at page 112 therein; thence (2) Northwardly, along said westerly line of lands conveyed as aforesaid and along the westerly line of lands acquired by The Port of New York Authority by Condemnation in a proceeding vesting title on June 6, 1956, 58.01 feet to the northerly line of lands acquired by condemnation as aforesaid; thence (3) Eastwardly, along said northerly line of lands acquired by condemnation as aforesaid, 25.00 feet to the westerly line of lands conveyed by Caroline Dupree to The Port of New York Authority by Deed dated August 29, 1956 and Recorded in the Register's Office of Queens County on August 31, 1956 in Liber 6907 at page 458 therein; thence (4) Northwardly, along said westerly line of lands conveyed by Caroline Dupree as aforesaid, 75.00 feet to the northerly line of lands so conveyed by Caroline Dupree; thence (5) Eastwardly, along said northerly line of lands conveyed by Caroline Dupree as aforesaid, 100.00 feet to said westerly line of 82nd Street; thence (6) Southwardly along said westerly line of 82nd Street, 179.70 feet to the point and place of BEGINNING.

Being the premises known as Lots 30, 33 and 40, in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 7

BEGINNING at a point which is the intersection of the easterly line of 81st Street with the southerly line of Grand Central Parkway as now in use and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands conveyed by Feldwood Realty Corporation to the Port of New York Authority by Deed dated November 28, 1956 and Recorded in the Register's Office of Queens County on November 29, 1956 in Liber 6932 of Deeds at page 295 therein, 202.92 feet to the westerly line of 82nd Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 82nd Street, 155.22 feet to the southerly line of lands conveyed as aforesaid; thence (3) Westwardly, along said southerly line of lands conveyed as aforesaid, 200.00 feet to said easterly line of 81st Street; thence (4) Northwardly, along said easterly line of 81st Street, 119.07 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 8

BEGINNING at a point which is the intersection of the easterly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Northwardly, along said easterly line of 82nd Street, 296.57 feet to the northerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Eastwardly, along said northerly line of lands so acquired, 200.01 feet to the westerly line of

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83rd Street (60.00 feet wide); thence (3) Southwardly, along said westerly line of 83rd Street, 167.83 feet to the southerly line of lands acquired by condemnation as aforesaid; thence (4) Westwardly, along said southerly line of lands so acquired, 107.29 feet to the easterly line of lands so acquired; thence (5) Southwardly, along said easterly line of lands acquired by condemnation as aforesaid and along the easterly line of lands conveyed by Kunigunda Rickel & Louise S. Grimm by Deeds dated July 14 and 19, 1956 and September 24, 1956 and Recorded severally in the Register's Office of Queens County on July 26, 1956 in Liber 6897 at pages 57 & 59 therein and on October 4, 1956 in Liber 6917 at pages 611 and 613 therein, 173.89 feet to said northerly line of Astoria Boulevard; thence (6) Westwardly, along said northerly line of Astoria Boulevard, 127.72 feet to the point and place of BEGINNING.

Being the premises known as Lots 24, 26, 27, 28, 29, 32, 43, 46, 49, 50, 51, 53, 55 and 59 in Block 1077, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 9

BEGINNING at a point which is the intersection of the easterly line of 83rd Street (60.00 feet wide) with the southerly line of Grand Central Parkway as in use being also the northwesterly corner of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956 and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands acquired as aforesaid and along the northerly line of lands conveyed by Barkin Levin & Co., Inc. to The Port of New York Authority by Deed dated July 20, 1956

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and Recorded in the Register's Office of Queens County on July 27, 1956 in Liber 6895 of Deeds at page 549 therein, along the arc of a circle of 6603.00 feet radius the center of said arc lying to the south an arc distance of 262.64 feet to a point of compound curvature; thence (2) Eastwardly, continuing along said northerly line of lands conveyed as aforesaid and along said southerly line of Grand Central Parkway along the arc of a circle of 270.00 feet radius, the center of said arc lying to the south an arc distance of 188.49 feet to another point of compound curvature; thence (3) Eastwardly and Southwardly along said southerly line of Grand Central Parkway and said northerly line of lands conveyed as aforesaid, along the arc of a circle of 44.176 feet radius, the center of said arc lying to the south, an arc distance of 30.89 feet to a point in the westerly line of 85th Street (60.00 feet wide); thence (4) Southwardly, along said westerly line of 85th Street and along the easterly line of lands conveyed as aforesaid, 258.23 feet to the southerly line of lands conveyed as aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed as aforesaid, 360.00 feet to the easterly line of lands conveyed as aforesaid; thence (6) Southwardly, along said easterly line of lands so conveyed, 41.38 feet to the southerly line of lands so conveyed; thence (7) Westwardly, along said southerly line of lands so conveyed, 100.00 feet to said easterly line of 83rd Street; thence (8) Northwardly, along said easterly line of 83rd Street, 269.32 feet to the point and place of BEGINNING.

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THIS INDENTURE, made the 6th day of [illegible] 1958, between THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, having its office at 111 Eighth Avenue, Borough of Manhattan, City, County and State of New York, (hereinafter referred to as the "Port Authority") and THE CITY OF NEW YORK, a municipal corporation of the State of New York, having its principal office at City Hall, in the Borough of Manhattan, City, County and State of New York (hereinafter referred to as the "City"),

WHEREAS, the Agreement between the Port Authority and the City with respect to Municipal Air Terminals dated April 17, 1947, which Agreement was recorded on the 22nd day of May, 1947, in the office of the Register of the City of New York (Queens County) in Liber 5402 of Conveyances, page 319, provides among other things that the Port Authority shall convey to the City any lands or interests therein which it acquires for use in extension of the Municipal Air Terminals or for use in maintaining airplane beacons, guides or other aids to avigation, and that thereupon such property shall become part of the premises demised to the Port Authority under said Agreement; and

WHEREAS, the Port Authority has acquired for municipal air terminal purposes the lands hereinafter described, subject to the encumbrances and exceptions specified herein,

NOW, THEREFORE, WITNESSETH, that the Port Authority does hereby remise, release and quitclaim unto the City, its successors and assigns forever, all right, title and interest of the Port Authority in and to:

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all those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

PARCEL 1

BEGINNING at a point which is the intersection of the easterly line of 78th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, 200.00 feet to the westerly line of 79th Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 79th Street, at right angles to the preceding course, 192.82 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (3) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto and along a line which makes an interior angle of 139°-59'-20" with the preceding course, 155.54 feet to the westerly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and a point in the center line of the block; thence (4) Northwardly, along said westerly line of lands condemned as aforesaid, along said center line of block and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 170.59 feet to the southerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated May 18, 1956 and Recorded on May 21, 1956 in the Register's Office of Queens County in Liber 6876 of Deeds at page 531 therein; thence (5) Westwardly, along said southerly

line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 282°-44'-40" with the preceding course, 51.28 feet; thence (6) Westwardly, continuing along said southerly line of lands conveyed by Arde Bulova and along a line which makes an interior angle of 183°-19'-20" with the preceding course, 52.02 feet to said easterly line of 78th Street; thence (7) Northwardly along said easterly line of 78th Street and along a line which makes an interior angle of 73°-56'-00" with the preceding course, at right angles to said southerly line of 25th Avenue, 167.08 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 and part of Lot 14 in Block 1055, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 2

BEGINNING at a point which is the interestion of the easterly line of 79th Street (60.00 feet wide) with the southerly line of 25th Avenue (70.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 25th Avenue, at right angles to said easterly line of 79th Street, 101.86 feet to a point distant 100.00 feet southeastwardly from the center line prolonged of Runway 4-22 of La Guardia Airport, measured at right angles thereto; thence (2) Southwestwardly, parallel with said center line of runway, distant 100.00 feet southeastwardly therefrom, measured at right angles thereto, along the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding vesting title on June 6, 1956 and along a line which makes an interior angle of 49°-59'-20" with the preceding course, 158.43 feet to said easterly line of 79th Street; thence (3) Northwardly, along said easterly line of 79th Street and along a line which makes an interior angle of 40°-00'-40" with the preceding course, 121.34 feet to the point and place of BEGINNING.

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Being the premises known as part of Lot 1 and part of Lot 11, in Block 1056, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 3

BEGINNING at a point which is the intersection of the northerly line of 25th Avenue (70.00 feet wide) with the easterly line of 79th Street (60.00 feet wide) and running thence (1) Northwardly, along said easterly line of 79th Street, at right angles to said northerly line of 25th Avenue, 450.00 feet to the northerly line of lands conveyed by Arde Bulova to The Port of New York Authority by Deed dated July 2, 1956 and recorded on July 9, 1956 in the Register's Office of Queens County in Liber 6891 of Deeds at page 645 therein; thence (2) Eastwardly, at right angles to the preceding course and along said northerly line of lands conveyed by Arde Bulova as aforesaid, 53.75 feet to the easterly line of lands conveyed by Arde Bulova as aforesaid; thence (3) Southwardly, along said easterly line of lands conveyed by Arde Bulova as aforesaid and along a line which makes an interior angle of 112°-46'-03" with the preceding course, 108.49 feet to the northerly line of lands conveyed by Clara Maurer to The Port of New York Authority by Deed dated June 12, 1956 and recorded on June 12, 1956 in the Register's Office of Queens County in Liber 6883 of Deeds at page 632 therein; thence (4) Eastwardly, along said northerly line of lands conveyed by Clara Maurer as aforesaid and along a line which makes an interior angle of 247°-13'-57" with the preceding course, 104.29 feet to the westerly line of 80th Street (60.00 feet wide); thence (5) Southwardly, along said

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westerly line of 80th Street, at right angles to the preceding course, 350.00 feet to the corner formed by the intersection of said westerly line of 80th Street with said northerly line of 25th Avenue; thence (6) Westwardly, along said northerly line of 25th Avenue, at right angles to the preceding course, 200.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 18, 20, 22, 24 and part of 32, in Block 1043, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 4

BEGINNING at a point in the easterly line of 80th Street (60.00 feet wide) distant 125.00 feet northwardly thereon from the corner formed by the intersection of said easterly line of 80th Street with the northerly line of 25th Avenue (70.00 feet wide) said point lying in the southerly line of lands conveyed by John & Christine Harvan to The Port of New York Authority by Deed dated June 14, 1956 and Recorded in the Register's Office of Queens County on June 15, 1956 in Liber 6884 of Deeds at page 528 therein and running thence (1) Northwardly, along said easterly line of 80th Street, 375.00 feet to the northerly line of lands conveyed by Wilhelmina Kobryn to The Port of New York Authority by Deed dated July 10, 1956 and Recorded in the Register's Office of Queens County on July 12, 1956 in Liber 6892 of Deeds at page 627 therein; thence (2) Eastwardly, along said northerly line of lands conveyed by Wilhelmina Kobryn as aforesaid, 100.00 feet to the westerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested

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of lands acquired as aforesaid, 100.00 feet to the southerly line of 24th Avenue (70.00 feet wide); thence (4) Eastwardly, along said southerly line of 24th Avenue, 100.00 feet to the corner formed by the intersection of said southerly line of 24th Avenue with the westerly line of 81st Street (60.00 feet wide); thence (5) Southwardly, along said westerly line of 81st Street, 325.00 feet to the southerly line of lands conveyed by Ellen Shelby to The Port of New York Authority by Deed dated June 27, 1956 and Recorded in the Register's Office of Queens County on June 28, 1956 in Liber 6888 of Deeds at page 231 therein; thence (6) Westwardly, along said southerly line of lands conveyed by Ellen Shelby aforesaid, 100.00 feet to the cener line of the block and a point in the easterly line of lands conveyed by Joseph Somma to The Port of New York Authority by Deed dated February 8, 1956 and Recorded in the Register's Office on February 9, 1956 in Liber 6849 of Deeds at page 454 therein; thence (7) Southwardly, along said center line of block and along said easterly line of lands conveyed by Joseph Somma as aforesaid, along the easterly line of lands conveyed by George & Rose Strnad by Deed dated July 23, 1956 and Recorded on July 30, 1956 in the Register's Office of Queens County by Torrens Certificate numbered 189, along the easterly line of lands acquired by The Port of New York Authority in Condemnation Proceedings in which title vested on June 6, 1956, along the easterly line of lands conveyed by John & Christine Harvan as aforesaid, 150.00 feet to said southerly line of lands conveyed by John & Christine Harvan; thence (8) Westwardly, along said southerly line of lands conveyed by John & Christine Harvan as aforesaid, 100.00 feet to the point and place of BEGINNING.

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Being the premises known as Lots 6, 9, 11, 14, 16, 20, 43, 45, 46, 48, 49, 50, 51, 52, 53, 54, 56, 57 and 59 in Block 1044, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 5

BEGINNING at a point which is the intersection of the southerly line of 24th Avenue (70.00 feet wide) with the easterly line of 81st Street (60.00 feet wide) and running thence (1) Eastwardly, along said southerly line of 24th Avenue, 125.00 feet to the easterly line of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Southwardly along said easterly line of lands acquired as aforesaid, 100.00 feet to a southerly line of lands acquired as aforesaid; thence (3) Westwardly, along said southerly line of lands acquired as aforesaid, 25.00 feet to the center line of the block and another easterly line of lands acquired by condemnation as aforesaid; thence (4) Southwardly, along said lands acquired by condemnation and along the easterly line of lands conveyed by Andrew Haurylak by Deed dated September 28, 1956 and Recorded in the Register's Office of Queens County on September 28, 1956 in Liber 6916 at page 83 therein, 75.00 feet to the southerly line of lands conveyed by Andrew Haurylak aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed by Andrew Haurylak, 100.00 feet to said easterly line of 81st Street; thence (6) Northwardly, along said easterly line of 81st Street, 175.00 feet to the point and place of BEGINNING.

Being the premises known as Lots 1, 2, 3, 4, 57, 58 and 59, in Block 1045, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 6

BEGINNING at a point which is the intersection of the westerly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Westwardly, along said northerly line of Astoria Boulevard, 133.44 feet to the westerly line of lands conveyed by Stephen, Electra, George and Eftalia Milonas to the Port of New York Authority by Deed dated February 1, 1957 and Recorded in the Register's Office of Queens County on February 5, 1957 in Liber 6950 of Deeds at page 112 therein; thence (2) Northwardly, along said westerly line of lands conveyed as aforesaid and along the westerly line of lands acquired by The Port of New York Authority by Condemnation in a proceeding vesting title on June 6, 1956, 58.01 feet to the northerly line of lands acquired by condemnation as aforesaid; thence (3) Eastwardly, along said northerly line of lands acquired by condemnation as aforesaid, 25.00 feet to the westerly line of lands conveyed by Caroline Dupree to The Port of New York Authority by Deed dated August 29, 1956 and Recorded in the Register's Office of Queens County on August 31, 1956 in Liber 6907 at page 458 therein; thence (4) Northwardly, along said westerly line of lands conveyed by Caroline Dupree as aforesaid, 75.00 feet to the northerly line of lands so conveyed by Caroline Dupree; thence (5) Eastwardly, along said northerly line of lands conveyed by Caroline Dupree as aforesaid, 100.00 feet to said westerly line of 82nd Street; thence (6) Southwardly along said westerly line of 82nd Street, 179.70 feet to the point and place of BEGINNING.

Being the premises known as Lots 30, 33 and 40 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 7

BEGINNING at a point which is the intersection of the easterly line of 81st Street with the southerly line of Grand Central Parkway as now in use and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands conveyed by Feldwood Realty Corporation to the Port of New York Authority by Deed dated November 28, 1956 and Recorded in the Register's Office of Queens County on November 29, 1956 in Liber 6932 of Deeds at page 295 therein, 202.92 feet to the westerly line of 82nd Street (60.00 feet wide); thence (2) Southwardly, along said westerly line of 82nd Street, 155.22 feet to the southerly line of lands conveyed as aforesaid; thence (3) Westwardly, along said southerly line of lands conveyed as aforesaid, 200.00 feet to said easterly line of 81st Street; thence (4) Northwardly, along said easterly line of 81st Street, 119.07 feet to the point and place of BEGINNING.

Being the premises known as Lot 1 in Block 1034, Section 7 of the Tax Map of the City for the Borough of Queens.

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PARCEL 8

BEGINNING at a point which is the intersection of the easterly line of 82nd Street (60.00 feet wide) with the northerly line of Astoria Boulevard (130.00 feet wide) and running thence (1) Northwardly, along said easterly line of 82nd Street, 296.57 feet to the northerly line of lands acquired by The Port of New York Authority in Condemnation Proceeding in which title vested on June 6, 1956; thence (2) Eastwardly, along said northerly line of lands so acquired, 200.01 feet to the westerly line of 83rd Street (60.00 feet wide); thence (3) Southwardly, along said westerly line of 83rd Street, 167.83 feet to the southerly line of lands acquired by condemnation as aforesaid; thence (4) Westwardly, along said southerly line of lands so acquired, 107.29 feet to the easterly line of lands so acquired; thence (5) Southwardly, along said easterly line of lands acquired by condemnation as aforesaid and along the easterly line of lands conveyed by Kunigunda Rickel & Louise S. Grimm by Deeds dated July 14 and 19, 1956 and September 24, 1956 and Recorded severally in the Register's Office of Queens County on July 26, 1956 in Liber 6897 at pages 57 & 59 therein and on October 4, 1956 in Liber 6917 at pages 611 and 613 therein, 173.89 feet to said northerly line of Astoria Boulevard; thence (6) Westwardly, along said northerly line of Astoria Boulevard, 127.72 feet to the point and place of BEGINNING.

Being the premises known as Lots 24, 26, 27, 28, 29, 32, 43, 46, 49, 50, 51, 53, 55 and 59 in Block 1077, Section 7 of the Tax Map of the City for the Borough of Queens.

PARCEL 9

BEGINNING at a point which is the intersection of the easterly line of 83rd Street (60.00 feet wide) with the southerly line of Grand Central Parkway as in use being also the northwesterly corner of lands acquired by The Port of New York Authority in a Condemnation Proceeding in which title vested on June 6, 1956 and running thence (1) Eastwardly, along said southerly line of Grand Central Parkway and along the northerly line of lands acquired as aforesaid and along the northerly line of lands conveyed by Barkin Levin & Co., Inc. to The Port of New York Authority by Deed dated July 20, 1956 and Recorded in the Register's Office of Queens County on July 20, 1956 in Liber 6895 of Deeds at page 549 therein, along the arc of a circle of 6603.00 feet radius the center of said arc lying to the south an arc distance of 262.64 feet to a point of compound curvature; thence (2) Eastwardly, continuing along said northerly line of lands conveyed as aforesaid and along said northerly line of Grand Central Parkway along the arc of a circle of 270.00 feet radius, the center of said arc lying to the south an arc distance of 188.49 feet to another point of compound curvature; thence (3) Eastwardly and Southwardly along said northerly line of Grand Central Parkway and said northerly line of lands conveyed as aforesaid, along the arc of a circle of 44.176 feet radius, the center of said arc lying to the south, an arc distance of 30.89 feet to a point in the westerly line of 85th Street (60.00 feet wide); thence (4) Southwardly, along said westerly line of 85th Street and along the easterly line of lands conveyed as

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aforesaid, 258.23 feet to the southerly line of lands conveyed as aforesaid; thence (5) Westwardly, along said southerly line of lands conveyed as aforesaid, 360.00 feet to the easterly line of lands conveyed as aforesaid; thence (6) Southwardly, along said easterly line of lands so conveyed, 41.38 feet to the southerly line of lands so conveyed; thence (7) Westwardly, along said southerly line of lands so conveyed, 100.00 feet to said easterly line of 83rd Street; thence (8) Northwardly, along said easterly line of 83rd Street, 269.32 feet to the point and place of BEGINNING.

Being the premises known as Lots 60 and 62, in Block 1078, Section 7 of the Tax Map of the City for the Borough of Queens.

Subject, however, to the following:

(a) the Agreement with respect to Municipal Air Terminals between the Port Authority and the City, dated April 17, 1947, and all rights of the Port Authority as lessee or otherwise under said Agreement;

(b) outstanding title in any of the People herein in the State of New York or in the City and liens and encumbrances in favor of the People of the State of New York or the City which reduce the estate or interest of any of the former owners;

(c) encroachments, if any, upon the premises herein described of any structures or appurtenances standing or maintained partly upon the premises herein described and partly upon the adjoing premises; and

(d) any state of facts which an accurate survey may show.

TO HAVE AND TO HOLD the premises granted to the City, its successors and assigns forever, subject, however, to the items specified aforesaid.

IN WITNESS WHEREOF, the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this indenture to be signed in triplicate by its Executive Director the day and year first above written.

THE PORT OF NEW YORK AUTHORITY

By _____
Austin J. Tobin, Executive Director

ATTEST:

_____
Secretary

Approved as to form:

_____
Sidney Goldstein
General Counsel

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

FIFTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated October 3, 1960

AGREEMENT (hereinafter referred to as "Fifth Supplemental Agreement") made as of this 3rd day of October , 1960, by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, with its principal office at the City Hall, in the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

WITNESSETH, That:

WHEREAS, under date of April 17, 1947, the City and the Port Authority entered into an Agreement with respect to Municipal Air Terminals (hereinafter referred to as the "Original Agreement"), the execution of which by the City was authorized by resolution duly adopted by its Board of Estimate on April 17, 1947 (Cal. No. 5), and the execution of which by the Port Authority was authorized by resolution duly adopted by its Board of Commissioners on April 17, 1947, and

WHEREAS, under date of May 26, 1949, the City and the Port Authority entered into an agreement (hereinafter referred to as the "First Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said First Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on May 26, 1949 (Cal. No. 137) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 12, 1949, and

WHEREAS, under date of November 7, 1952, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Second Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Second Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 23, 1952 (Cal. No. 27) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on August 14, 1952, and

WHEREAS, under date of May 28, 1956, the City and the Port Authority entered into an agreement (hereinafter referred to as the "Third Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Third Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on April 26, 1956 (Cal. No. 111) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on May 10, 1956, and

WHEREAS, under date of November 6, 1959 the City and the Port Authority entered into an Agreement (hereinafter referred to as "Fourth Supplemental Agreement") modifying and supplementing said Original Agreement, the execution of said Fourth Supplemental Agreement by the City having been authorized by resolution duly adopted by its Board of Estimate on October 9, 1958 (Cal. No. 60) and the execution thereof by the Port Authority having been authorized by resolution duly adopted by its Board of Commissioners on October 8, 1958, and

WHEREAS, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented;

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns that said Original Agreement shall be and it is hereby supplemented and amended as follows:

I. DEFINITIONS

Except as hereinafter expressly provided, any words or phrases used in this Fifth Supplemental Agreement and specifically defined in the Original Agreement shall be read and construed in accordance with the definition in the Original Agreement.

II. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement and amended and supplemented by the Third Supplemental Agreement and the Fourth Supplemental Agreement is hereby further amended and supplemented by adding as Item 14 thereof, the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as substituted by the Second Supplemental Agreement, amended and supplemented by the Third Supplemental Agreement and by the Fourth Supplemental Agreement and as amended and supplemented hereby.

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III. SURRENDER OF PORTION OF DEMISED PREMISES - LA GUARDIA AIRPORT--ADDITIONAL LANDS

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in Item 14 of the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest, term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit: during the term for which the demised premises are leased.

1. The Port Authority and its employees, contractors, permittees, agents or other person duly designated by it shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority for the safe and efficient operation of LaGuardia Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and its employees, contractors, permittees, agents or other person duly designated by it shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such

approach lighting systems, other aids to avigation, and facilities incidental thereto;

2. the City shall use the premises herein surrendered for park purposes and for no other purpose whatsoever; the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of La Guardia Airport or the safe and unrestricted passage of aircraft over the premises herein surrendered; the City shall abate any smoke or vapor, at the request of the Port Authority; the City shall not erect, install or maintain any structure, building, tower, pole, wire or other object the construction, maintenance or operation of which would constitute a hazard to avigation in the opinion of the Port Authority;

3. the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property upon the said premises installed, operated or maintained by or on behalf of the Port Authority; and

4. the City shall not place fill in or upon the premises surrendered by Section III of this Fifth Supplemental Agreement or place any structures or buildings thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, provided, that such approval shall not be withheld unreasonably.

IV. SURRENDER OF SURPLUS PARCEL - ITEM 2 - SUBSTITUTED SCHEDULE A

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender

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of the portion of the demised premises consisting of four (4) parcels of land on Rikers Island, Borough of the Bronx, described as Item 2 in the Substituted Schedule A attached to the Second Supplemental Agreement, and all the estate, right, title, interest, term of years, property, claims and demands whatsoever of the Port Authority of, in to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, subject, however, during the term for which the demised premises were leased, to the provisions of section 24 of the Original Agreement.

V. LEASE OF ADDITIONAL DEMISED PREMISES - LA GUARDIA AIRPORT

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City, for air terminal purposes and for purposes incidental thereto, the additional lands shown in cross hatching on the map of La Guardia Airport annexed hereto marked "Supplemental Map I-A" to have and to hold unto the Port Authority from the date of this Fifth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in the said Original Agreement.

As soon as possible after completion of the programm of rehabilitating and improving La Guardia Airport, the Port Authority shall, itself or through others acting on its behalf, landscape the area along Grand Central Parkway between the Parkway pavement and the southerly boundary of La Guardia Airport shown on the annexed "Supplemental Map I-A" with screen planting satisfactory to the

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Department of Parks and, as between the City and the Port Authority, the Port Authority shall assume the cost of such initial landscaping. Thereafter, such landscaping shall be maintained by the City.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

ATTEST:

Herman Katz
City Clerk

THE CITY OF NEW YORK

Robert F. Wagner
Mayor

ATTEST:

Joseph G. Carty
Secretary

THE PORT OF NEW YORK AUTHORITY

Austin J. Tobin
Executive Director

Approved as to Form

Leo A. Larkin
Acting Corporation Counsel

Approved as to Form

R. C. Skehan
Assistant General Counsel

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:

On this 14th day of July, 1960, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at New York 25, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to the said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY and that he signed his name thereto by like order.

Albert J. Buckley

ALBERT J. BUCKLEY
NOTARY PUBLIC, State of New York
No. 60-0479065
Qualified in Westchester County
Commission expires March 30, 1961.

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:
CITY OF NEW YORK)

On the 11th day of October, 1960, before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at [illegible] Street, Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knew the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with ROBERT F. WAGNER and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said HERMAN KATZ, that he executed the same, and he, the said HERMAN KATZ thereupon subscribed his name hereto.

Joseph A. Fanelli

JOSEPH A. FANELLI
Commissioner of Deeds City of New York
New York County Clerk's No. 19
Commission Expires March 19, 1961

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Supplement to Substituted Schedule A

ITEM 14

PARCEL I

ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate, lying and being in the Borough and County of Queens, City and State of New York, known and designated on a certain map entitled "Map of Property belonging to Valentin Klein, situate in the 2nd Ward of the Borough of Queens, New York City surveyed September 1919, by Walter I. Browne, C.E. & C.S."; and filed or intended to be filed in the Office of the Clerk of the County of Queens as and by the Lots #25 and 26, which said lots according to said map are bounded and described as follows:

BEGINNING at a point on the westerly side of 82nd Street (formerly 25th Street) distant northerly 299.35 feet from the corner formed by the intersection of the westerly side of 25th Street and the northeasterly side of Astoria Boulevard (formerly Astoria Avenue); running thence westerly and at right angles to said 82nd Street, 100 feet; thence northerly and parallel with said 82nd Street, 45.98 feet to lands now or formerly of the Estate of Garrett Kowenhoven, deceased; thence easterly along said lands 100 feet to the westerly side of 82nd Street, 45.04 feet to the point or place of beginning.

Being the premises also known and designated as and by the Lot #25, Block 1034 of Section 7 as shown on the Tax Map of the County of Queens.

PARCEL 2

All that certain plot, piece or parcel of land situate, lying and being in the Borough and County of Queens, City and State of New York, known as and by the Lot No. 1, Block No. 1077 of Section 7, as shown on Tax Map of the County of Queens, said Block No. 1077 being designated as Block No. 1409 of Section 6 of the land Map of the County of Queens, and bounded and described as follows:

On the North by Grand Central Parkway, on the West by Eighty-Second Street; and on the East by Eighty-Third Street.

All right, title and interest of the Port Authority or which the Port Authority has power to convey or dispose of, in and to all strips and gores abutting and of the title lines of said premises.

Subject, however, to the following:

(a) the Agreement with respect to Municipal Air Terminals between the Port Authority and the City, dated April 17, 1947, and all rights of the Port Authority as lessee or otherwise under said Agreement;

(b) outstanding title, if any, of the People of the State of New York or of the City and liens and encumbrances in favor of the People of the State of New York or the City which reduce the estate or interest of any of the former owners;

(c) encroachments, if any, upon the premises herein described of any structures or appurtenances standing or maintained partly upon the premises herein described and partly upon the adjoining premises; and

(d) any state of facts which an accurate survey may show.

TO HAVE AND TO HOLD the premises granted to the City, its successors and assigns forever, subject, however, to the items specified aforesaid.

IN WITNESS WHEREOF, the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this indenture to be signed in triplicate by its Executive Director the day and year first above written.

ATTEST:

Joseph G. Carty
Secretary

THE PORT OF NEW YORK AUTHORITY

By Austin J. Tobin
Austin J. Tobin
Executive Director

Approved as to form:

Rosaleen C. Skehan
Sidney Goldstein
General Counsel

MJ

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 14 day of ~~March~~ July 1960, before me personally came AUSTIN J. TOBIN to me known, who, being by me duly sworn, did depose and say that he resides at [redacted] New York, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY; and that he signed his name thereto by like order.

Albert J. Buckley
Notary Public
Albert J. Buckley
Notary Public, State of New York
No.60-0479065
Qualified in Westchester County
Commission expires March 30, 1961

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THIS INDENTURE, made the 14 day of July, 1960, between THE PORT OF NEW YORK AUTHORITY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, having its office at 111 Eighth Avenue, Borough of Manhattan, City, County and State of New York, (hereinafter referred to as the "Port Authority") and THE CITY OF NEW YORK, a municipal corporation of the State of New York, having its principal office at City Hall, in the Borough of Manhattan, City, County and State of New York (hereinafter referred to as the "City"),

WHEREAS, the Agreement between the Port Authority and the City with respect to Municipal Air Terminals dated April 17, 1947, which Agreement was recorded on the 22nd day of May, 1947, in the office of the Register of the City of New York (Queens County) in Liber 5402 of Conveyances, page 319, provides among other things that the Port Authority shall convey to the City any lands or interests therein which it acquires for use in extension of the Municipal Air Terminals or for use in maintaining airplane beacons, guides or other aids to avigation, and that thereupon such property shall become part of the premises demised to the Port Authority under said Agreement; and

WHEREAS, the Port Authority has acquired for municipal air terminal purposes the lands hereinafter described, subject to the encumbrances and exceptions specified herein,

NOW, THEREFORE, WITNESSETH, that the Port Authority does hereby remise, release and quitclaim unto the City, its successors and assigns forever, all right, title and interest of the Port Authority in and to:

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ALL those lots, pieces or parcels of land, with the buildings and improvements, if any, thereon, situate, lying and being in the Borough and County of Queens, City and State of New York, known and designated on a certain map entitled "Map of Property belonging to Valentin Klein, situate in the 2nd Ward of the Borough of Queens, New York City surveyed September 1919, by Walter I. Browne, C.E. & C.S.", and filed or intended to be filed in the Office of the Clerk of the County of Queens as and by the Lots #25 and 26, which said lots according to said map are bounded and described as follows:

BEGINNING at a point on the westerly side of 82nd Street (formerly 25th Street) distant northerly 299. 35 feet from the corner formed by the intersection of the westerly side of 25th Street and the northeasterly side of Astoria Boulevard (formerly Astoria Avenue); running thence westerly and at right angles to said 82nd Street, 100 feet; thence northerly and parallel with said 82nd Street, 45.98 feet to lands now or formerly of the Estate of Garrett Kowenhoven, deceased; thence easterly along said lands 100 feet to the westerly side of 82nd Street; thence southerly along said westerly side of 82nd Street, 4504 feet to the point or place of beginning.

Being the premises also known and designated as and by the Lot #25, Block 1034 of Section 7 as shown on the Tax Map of the County of Queens.

TOGETHER WITH:

All right, title and interest of the Port Authority or which the Port Authority has power to convey or dispose of, in and to any land lying in the bed of any street, road or avenue, open or proposed, in front of or adjoining the premises.

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REC. 163 PAGE 12

—BOOK 163—

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Sixth Suppl. Opt

5402/319

THE CITY OF NEW YORK

B18.00

AND

THE PORT OF NEW YORK AUTHORITY

OFFICE OF CITY REGISTER
Queens County
RECORDED
Witness my hand
and official seal
CITY REGISTER

NOT SUBJECT TO MTGE TAX

The land affected [illegible] instrument
lies in [illegible] 14260 Lots 1, 101 & 16
on the [illegible] Map of the County of Queens.

SIXTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

JUN-29-66 87977 18.00

DATED August 24, 1965

R&R
A. J. BUCKLEY, ESQ
ROOM 1515
111 EIGHTH AVE.
NEW YORK, N.Y. 10011

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SIXTH SUPPLEMENTAL AGREEMENT made as of the 24th day of August, 1965, between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "The City", and "THE PORT OF NEW YORK AUTHORITY", a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called the "Port Authority".

W I T N E S S E T H, That:

WHEREAS, the parties hereto under date of April 17, 1947, have duly entered into an Agreement relating to Municipal Air Terminals, and

WHEREAS, the said parties have duly amended, supplemented and modified the said agreement by several Agreements duly entered into as of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1959 and October 3, 1960, respectively, and

WHEREAS, the said parties desire to further amend, supplement and modify the Agreement of April 17, 1947, as amended, supplemented and modified,

NOW, THEREFORE, it is mutually agreed as follows:

1. SURRENDER OF PORTIONS OF DEMISED PREMISES - JOHN F. KENNEDY INTERNATIONAL AIRPORT

The Port Authority hereby gives, grants and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises shown cross-hatched and dotted on the map of John F.Kennedy International Airport annexed hereto and marked "Supplemental Map II-C", dated December 2, 1964, and further described in the annexed Schedule "A", and all the estate, right, title, interest, terms of years, property, claim and demand

whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the demised premises shown cross-hatched and dotted on said Supplemental Map II-C may be wholly merged, extinguished, determined and excluded from the original lease agreement, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, provided that the Port Authority shall have the right to the maintenance thereunder of existing utility facilities and aids to avigation of the Federal Aviation Agency and shall have the right to maintain and operate existing installations on Parcels 5, 6 and 7, and, subject to approval of the City, may relocate and replace such installations.

2. Pursuant to the provisions of Section V of the Third Supplemental Agreement of May 28, 1956, the Port Authority hereby consents to the use for street or highway purposes of those portions of the premises thereby surrendered which are shown hatched on Supplemental Map II-C, subject to such other conditions of that surrender which are not in conflict with the construction and the regulations approved by the State Superintendent of Public Works and the Federal Bureau of Public Roads.

It is understood that the line of the premises being surrendered by the Port of New York Authority or as to which it is granting consent to construction, all as shown on Supplemental Map II-C, shall be subject to modification as to detail as City authorized work progresses and as it is completed and in place, with confirmatory instruments to be provided as necessary.

3. CLOSING OF PORTION OF ROCKAWAY BOULEVARD - LOCATION OF NASSAU EXPRESSWAY.

The City agrees that it will close and discontinue as a street that portion of Rockaway Boulevard between New York Boulevard and a point 1,300 feet more or less, west of the northwest corner of Brookville Boulevard and Rockaway Boulevard. The City further agrees that a part of the proposed Nassau Expressway will be built north of that section of the existing Rockaway Boulevard which lies between Springfield Boulevard and a point 1,300 feet west of the northwest corner of Brookville Boulevard and Rockaway Boulevard, generally along the alignment shown on Supplemental Map II-C.

Port of New York Authority hereby waives any claim it may be entitled to by reason of the elimination, discontinuance and closing of said Rockaway Boulevard, and hereby agrees that there shall be no access from its property over and across said Rockaway Boulevard, except as it or the Federal Aviation Agency may require for the purpose of installing, operating, maintaining, relocating, replacing and inspecting approach lighting systems, other aids to avigation and facilities incidental thereto located within the area bounded by Rockaway Boulevard and the proposed New Nassau Expressway.

4. Except as in this agreement specifically stated, the terms, provisions and conditions of the agreements made by the parties hereto dated April 17, 1947, May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1959 and October 3, 1960, respectively,

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shall remain in full force and effect.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

ATTEST:
(Seal)
City Clerk

THE CITY OF NEW YORK
Mayor

ATTEST:
Secretary (Seal)

THE PORT OF NEW YORK AUTHORITY
Executive Director

Approved as to form
Corporation Counsel

Approved as to form
General Counsel

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:

On the 12th day of August, 1965, before me came Austin J. Tobin, to me known, who, being by me duly sworn, did depose and say that he resides at New York City, that he is the Executive Director of the Port of New York Authority, the corporation described in, and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Commissioners of said corporation; and that he signed his name thereto by like order.

(Seal)

MILDRED C. PORTH
Notary Public, State of New York
No. 30-3137750
Qualified in Nassau County
Commission Expires March 30, 1967

Mildred C. Porth

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STATE OF NEW YORK)
COUNTY OF NEW YORK) ss:
CITY OF NEW YORK)

On this 1st day of Aug, 1965, before me personally came Hermen Katz, with whom I am personally acquainted, and known to me to be the City Clerk of The City of New York, who being by me duly sworn, did depose and say that he resides at [illegible], in the Borough of Manhattan, City of New York; that he is the City Clerk of The City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed as provided by law, and that he signed his name thereto as City Clerk by like authority, and further, that he knows and is acquainted with Robt F Wagner, and knows him to be the person described in and who, as Mayor of The City of New York, executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him, the said City Clerk, and that he executed and delivered the same, and he, the said City Clerk thereupon subscribed his name thereto.

Joseph A Fanelli

JOSEPH A. FANELLI
Commissioner of Deeds
City of New York No. 3-200
Certificate filed in New York County
Commission Expires March 1, 1967

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SCHEDULE A

PARCEL 1

BEGINNING at a point on the southerly line of Southern Parkway distant 989.58 feet westerly from the corner formed by the intersection of the southerly side of Southern Parkway with the westerly side of 153rd Place; thence westerly along the southerly side of Southern Parkway as the same bends, the following two distances 1352.41 feet and 1174.71 feet to a point where the southerly side of Southern Parkway intersects the easterly side of Van Wyck Expressway; thence southerly along the easterly side of Van Wyck Expressway on a curve to the left having a radius of 1212.00 feet; a central angle 18° 55' 40.5", a distance of 400.39 feet to a point; thence continuing southerly along the easterly side of Van Wyck Expressway on a curve to the left having a radius of 4512.00 feet; a central angle 7° 17' 15.4", a distance of 573.89 feet to a point; thence still southerly along easterly side of Van Wyck Expressway on a curve to the left, having a radius of 2012.00 feet; a central angle of 3° 15' 11.6" a distance of 114.24 feet; thence westerly on a straight line along the south side of Van Wyck Expressway a distance of 238.12 feet to a point; thence southerly on a curve to the right, having a radius of 2324.00 feet; a central angle 3° 24' 22.8", a distance of 138.17 feet to a point; thence easterly 96.00 feet to a point; thence southeasterly on a curve to the left having a radius of 593.00 feet a central angle 26° 42' 51.2", a distance of 276.49 feet to a point; thence southerly on a curve to the right, having a radius of 1528.00 feet; a central angle 4° 35' 45.8", a distance of 122.57 feet to a point; thence continuing on a curve to the right, having a radius of 728.00 feet; a central angle 44° 00' 13.2", a distance of 559.11 feet to a point; thence southwesterly on a straight line 153.60 feet to a point; thence southeasterly at right angles or nearly so to the last mentioned course 168.00 feet to a point; thence northeasterly at right angles or nearly so to last mentioned course 682.30 feet to a point; thence northeasterly on a curve to the right having a radius of 243.59 feet; a central angle 26° 16' 01", a distance of 111.67 feet to a point; thence northeasterly on a straight line 267.10 feet to a point; thence in a generally northerly direction on a curve to the left, having a radius of 673.35 feet; a central angle 48° 11' 29.2" a distance of 566.35 feet to a point; thence northerly on a straight line 654.62 feet to a point; thence continuing northeasterly on a curve to the right having - radius of 1918.64 feet, a central angle 4° 16' 52.1", a distance of 143.36 feet; thence continuing easterly on a curve to the right having a radius of 394.38 feet;a central angle 52° 00' 31.1", a distance of 357.98 feet to a point; thence still continuing easterly on a curve to the right having a radius of 15224.42 feet; a central angle 2° 56' 57.2" a distance of 783.66 feet to a point; thence still continuing easterly on a curve to the right, having a radius of 1130.14 feet; a central angle 9° 59' .08.0" a distance of 196.96 feet to a point; thence continuing easterly on a straight line 462.33 feet to a point; thence easterly

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on a curve to the left, having a radius of 1050.00 feet; a central angle 13° 18' 44.2" a distance of 243.96 feet to a point; thence northerly on a straight line a distance of 861.44 feet to the point or place of beginning. It being intended to describe Damage Parcel No. 112 as shown on Section 2 of the Damage Map in the Proceeding to acquire title to lands required for "Nassau Expressway".

PARCEL 2

BEGINNING at a point on the southerly side of Southern Parkway where it intersects the westerly side of 124th Street; thence westerly along the southerly side of Southern Parkway 121.44 feet to an angle point therein; thence westerly still along the southerly side of Southern Parkway on a curve to the right, having a radius of 1237.83 feet, a central angle of 32° 23' 11.5", a distance of 699.69 feet to a point; thence in a straight line still along the southerly side of Southern Parkway 3396.56 feet to a point; thence still westerly along the southerly side of Southern Parkway, 106.84 feet to a point; thence southeasterly 101.46 feet to the southerly side of the premises herein described; thence easterly on a straight line 396.08 feet; thence easterly on a curve to the right, having a radius of 1958.00 feet, a central angle of 7° 07' 33.0" a distance of 243.51 feet; thence easterly on a straight line 406.86 feet; thence still easterly on a curve to the left, having a radius of 2530.00 feet a central angle of 22° 11' 38.7" a distance of 980.02 feet; thence easterly on a straight line 543.78 feet to an angle point; thence still easterly on a straight line 100.33 feet to an angle point; thence still easterly on a straight line 1420.99 feet to a point; thence still easterly on a curve to the left, having a radius of 4970.00 feet, a central angle of 6° 14' 22.9" a distance of 541.25 feet to a point; thence easterly on a straight line 155.61 feet to a point; thence easterly on a curve to the left, having a radius of 530.00 feet, a central angle of 23° 51' 46.3" a distance of 220.74 feet to a point; thence easterly on a straight line 473.01 feet to a point; thence still easterly on a curve to the left, having a radius of 1520.00 feet, a central angle of 12° 15' 28.4" a distance of 325.19 feet to the westerly side of 130th Street; thence northerly along the westerly side of 130th Street 56.32 feet to its intersection with the southerly side of 152nd Avenue; thence westerly along southerly side of 152nd Avenue 1560.00 feet to the westerly side of 124th Street; thence northerly at right angles to the last mentioned course 316.34 feet to the point or place of beginning. It being intended to describe Damage Parcel No.68, 69,70 and 71 as shown on Section 1 of the Damage Map in the Proceeding to acquire title to the lands required for "Nassau Expressway".

PARCEL 3

BEGINNING at a point on the southerly side of Southern Parkway where it intersects the easterly side of 134th Street; thence easterly along the southerly side of Southern Parkway in a straight line 139.18 feet to a point; thence in a straight line along the southerly side of Southern Parkway, said line deflecting 27° 56' 39.1" to the right 48.56 feet to a point of curvature; thence on a curve to the right having a radius of 612.00 feet a central angle of 18° 18' 58.9" a distance of 195.65 feet to a point; thence continuing on a curve to the right having a radius of 2512.00 feet, a central angle of 9° 16' 50.0" a distance of 406.88 feet to a point; thence westerly in a straight line, said line deflecting 161° 08' 25" to the right 171.09 feet to a point; thence in a straight line, said line deflecting 27° 14' 15.4" to the left 535.40 feet to a point on the easterly side of 134th Street; thence northerly along the easterly side of 134th Street 523.29 feet to the point or place of beginning. It being the intention to describe Damage Parcel No.111 as shown on Section I of the Damage Map in the Proceeding to acquire title to the lands required for "Nassau Expressway".

PARCEL 4

Portion of land from 150th Street to vicinity of 183rd Road, exclusive of Parcel 7, shown cross-hatched on Supplemental Map II-C.

PARCEL 5

Portion of land from extension of New York Boulevard to the extension of 228th Street, south of and adjoining Rockaway Boulevard, proposed for park use and shown dotted on Supplemental Map II-C.

PARCEL 6

Portion of land south of and adjoining Rockaway Boulevard from Brookville Boulevard westerly to a point 3,200 feet, more or less, from Brookville Boulevard proposed for park use, as shown dotted on Supplemental Map II-C.

PARCEL 7

Triangular portion of land south of the southerly side of Rockaway Boulevard from 159th Street to 147th Avenue, north of the right-of-way line of Nassau Expressway, proposed for additional lands, as shown cross-hatched on Supplemental Map II-C.

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THE CITY OF NEW YORK

AND

THE PORT OF NEW YORK AUTHORITY

SEVENTH SUPPLEMENTAL AGREEMENT

WITH RESPECT TO

MUNICIPAL AIR TERMINALS

Dated December 21, 1965

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SEVENTH SUPPLEMENTAL AGREEMENT made as of the 21 day of December, 1965 between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "the City," and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called the "Port Authority."

WITNESSETH:

WHEREAS, under date of April 17, 1947 the City and the Port Authority entered into an Agreement With Respect to Municipal Air Terminals, (hereinafter referred to as the "Original Agreement"), providing for the improvement, development, operation and maintenance of John F. Kennedy International Airport and LaGuardia Airport by the Port Authority for a term commencing June 1, 1947 and expiring not later than May 31, 1997; and

WHEREAS, under dates of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960 and August 24, 1965, the City and the Port Authority have duly amended, supplemented and modified said Original Agreement; and

WHEREAS, the City and the Port Authority are agreed that increase in the annual rental payable to the City, commencing with the calendar year 1965, will be in the public interest, and that the financing by the Port Authority of the costs of continued improvement, development, operation and maintenance of said airports will be facilitated by extension of the term of said Original Agreement;

NOW, THEREFORE, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns, that said Original Agreement shall be and it hereby is amended, supplemented and modified as follows:

1. DEFINITIONS

a. Section 1 of the Original Agreement is hereby amended by striking out the definitions of "Gross operating revenue," "Net operating revenue," and "Annual net revenue" and by substituting the following:

"Current year." The calendar year for which the rent is being computed.

"Annual net revenue." The difference between:

(a) the gross revenue of the current year; and

(b) the sum of the following: (1) operation and maintenance expense of the current year; (2) general and administrative expense of the current year; (3) imputed debt service of the current year.

"Gross revenue." All income and revenue of any nature whatsoever, derived by the Port Authority, in any manner whatsoever, or from any source whatsoever, from or in connection with the operation of the municipal air terminals, (including, without limiting the generality of the foregoing, net earnings derived from the investment of municipal air terminal operating funds) except the proceeds of bonds and notes and interest earned on capital funds.

"Operation and maintenance expense." The expense of the Port Authority which is directly attributable to the operation and maintenance of the municipal air terminals during the current year (other than the rent payable to the City by the Port Authority for the demised premises and general and administrative expense). No deduction, allowance or provision for depreciation, except for automotive equipment and equipment ancillary thereto, is to be included in the operation and maintenance expense.

"General and administrative expense." A sum equal to fifteen (15%) percent of the operation and maintenance expense.

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"Imputed debt service." The sum of:

(a) the unamortized debt component (computed by multiplying the unamortized debt as of January 1 of the current year by the amortization factor for such year) and

(b) the capital replacement component (computed by multiplying the value of the plant in service on January 1 of the current year by the replacement factor for the current year).

Notwithstanding the method of computing the imputed debt service, as hereinabove defined, the capital replacement component shall be omitted in computing the imputed debt service for the last current year (calendar year 2015) of the lease, and the actual amount of capital transferred to completed construction during the calendar year 2015, less Federal aid received during the calendar year 2015, shall be used in lieu thereof.

"The unamortized debt component." The product of: (a) the unamortized debt as of January 1 of the current year and (b) the amortization factor.

"The capital replacement component." The product of (a) the value of the plant in service on January 1 of the current year and (b) the replacement factor.

"Amortization factor." The appropriate annual factor to be applied to the unamortized debt as of the beginning of the current year listed in Table I under the rate of current interest established for that year.

"Replacement factor." The appropriate replacement factor to be applied to value of plant in service as of the beginning of the current year listed in Table II under the rate of current interest established for that year.

"Unamortized debt as of January 1 of the current year 1965." $307,436,695.

"Unamortized debt as of January 1 of each current year thereafter." The sum of:

(a) the difference between: (1) the unamortized debt as of January 1 of the calendar year immediately preceding the current year and (2) the amount constituting the difference between (aa) the imputed debt service for such preceding calendar year and (bb) the interest for such preceding calendar year (computed by multiplying the unamortized debt as of January 1 of the preceding calendar year by the current interest rate for such preceding calendar year); and

(b) the difference between the amount of capital transferred to completed construction in such preceding year and federal aid transferred to completed construction in such preceding year.

"Current interest rate." The product (rounded off to the nearest eighth of one percent) arrived at by multiplying the average of the weekly indices as reported in the "Daily Bond Buyer" under their "20 Bond Index" during the calendar year preceding the current year by the appropriate factor indicated below:

Rating of Port Authority Bonds (Moody's)	*Rating of Port Authority Bonds (Standard & Poor's)*	*Factor*
Aa	AA	1.09
A	A	1.14
Baa	BBB	1.21

The average of the weekly indices will be rounded off to the nearest .01. If the average before rounding happens to fall at the exact midpoint between two successive 1/100's, it shall be rounded down on the first such occurrence, then up and down alternately on successive occurrences. Similarly, should the product of the average index and the appropriate factor result in a number at the exact midpoint between two successive eighths of one percent, it shall be rounded down on the first such occurrence, then up and down alternately on successive occurrences.

"Rating of Port Authority bonds" shall be the lower rating of the municipal bond ratings supplied by "Moody's Investors Service Inc." or "Standard & Poor's Corp." of those Port Authority bond issues (other than Port Authority bonds guaranteed by any other government body) for which the Port Authority received and accepted bids during the calendar year preceding the current year. If the bond issues sold during that year do not all have the same rating, then the factor to be used shall be the average (rounded to the nearest .01) of the factors corresponding to the rating of said bond issues at the time of acceptance of bids, weighted in accordance with the principal amounts of said bond issues. In the event that there are no bond issues in the calendar year preceding the current year, then the rating of bond issues of the last previous calendar year prior thereto in which the Port Authority received and accepted bids on any bond issue shall be deemed the rating of the bond issues during the calendar year preceding the current year.

In the event that the "Daily Bond Buyer" or their "20 Bond Index" or "Moody's Investors Service, Inc." or "Standard and Poor's Corp." or the rating of Port Authority bonds by said Moody's Investors Service, Inc. or Standard and Poor's Corp. shall be discontinued during the term of this agreement, a comparable substitute for such discontinued element shall be mutually agreed upon in writing by the City and the Port Authority within thirty (30) days after such discontinuance. In the event that the parties shall fail to agree upon such a substitute within the time hereinabove specified, the question shall be submitted to three experts in this field recommended by the American Arbitration Association and selected as follows: each of the parties to this agreement, within thirty (30) days after the expiration of the period hereinabove specified for reaching agreement upon a substitute for such discontinued element, shall designate one such expert recommended by the American Arbitration Association and the two experts thus chosen shall, within fifteen (15) days after both have been designated, designate a third expert having the recommendation of such Association. The determination of a majority of said three experts shall be final and binding upon the parties hereto and the parties hereto agree to be bound by such determination provided that such determination shall be made in writing within forty-five (45) days next after the submission to them of the question, or on or before any later date to which the said experts, by any writing signed by a majority of them shall enlarge the time for making such determination.

"The value of the plant in service as of January 1 of the current year 1965." $414,067,129.

"The value of the plant in service as of January 1 of each current year after 1965." The sum of:

(a) the value of the plant in service on January 1 of the calendar year immediately preceding the current year; and

(b) the difference between the capital amount of transfers to completed construction in the year immediately preceding the current year and the capital expenditures related to the properties retired during such preceding year.

As used in this lease, the term "plant in service" shall not include automotive equipment or equipment ancillary thereto.

b. Section 1 of the Original Agreement is hereby further amended by striking out of the definition of "Bonds issued for municipal air terminal purposes" the following sentence:

"The proceeds of such bonds shall be used solely for such purposes."

2. TERM

a. The first paragraph of Section 3 of the Original Agreement is hereby amended to read as follows:

"The term for which the demised premises are leased shall commence on the 1st day of June, 1947, subject to the provisions hereinafter set forth in Section 12, and shall expire on the 31st day of December, 2015."

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b. The second paragraph of Section 3 of the Original Agreement is hereby amended by striking it out in its entirety and inserting in place thereof, the following:

"Notwithstanding any other provision of this Seventh Supplemental Agreement or of the Original Agreement, as amended, supplemented or modified, the Port Authority shall not pledge any revenues of the municipal air terminals, or any part thereof, derivable at any time after the end of the lease term or sooner termination thereof (other than revenues accruing prior to the end of the lease term or sooner termination thereof), as security for the repayment of principal or interest, or of any part thereof, on any bonds of the Port Authority issued for municipal air terminal purposes or any other purposes, nor shall any such bonds of the Port Authority or any provision thereof affect in any manner whatsoever or grant any right whatsoever to or in the municipal air terminals or their operation, maintenance or revenues for or during any period after the end of the lease term or sooner termination thereof."

c. The third paragraph of Section 3 of the Original Agreement is hereby amended by striking out the following words:

"depreciation, obsolescence, ordinary wear and tear excepted,"

3. RENT

Section 4 of the Original Agreement is amended by striking that Section out in its entirety and by substituting therefor the following:

"RENTS

The annual rent which the Port Authority shall pay to the City for each current year from January 1, 1965 until the end of the term herein provided shall be as follows:

A. *Guaranteed Annual Rent*

The guaranteed annual rent for each such year shall be the amount of:
$2,037,000 for the years 1965 through 1984;
$3,094,000 for the years 1985 through 1997;
$3,500,000 for the years 1998 through 2015.

B. *Additional Payment*

The Port Authority shall pay to the City, as additional rent for each such year the amount, if any, by which the guaranteed annual rent for such year is exceeded by the percentage of annual net revenue for such year indicated on the schedule below:

1965 through 1974	50%
1975 through 1984	60%
1985 through 2015	75%

The guaranteed annual rent for each such current year as specified in Paragraph A above shall be due and payable to the City on or before January 31 of such current year. The additional payment, if any, which may be due for each such current year pursuant to the provisions of Paragraph B above, shall be due and payable to the City on or before March 31 of the calendar year following such current year.

On or before March 31 of each calendar year the Port Authority shall furnish to the City a statement of the annual net revenue of the municipal air terminals for the current year preceding such calendar year.

Such statement shall be a complete report of the following:

(a) An itemized statement of gross revenue by sources for such current year, together with a schedule of any items excludable under the terms of the lease.

(b) An itemized statement of operation and maintenance expenses for such current year listed by activity accounts.

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(c) An itemized statement of the imputed debt service for such current year which shall include:

1. A schedule of individual properties and costs thereof comprising plant placed in service and plant retired during the year immediately preceding such current year; and

2. A detailed computation of the unamortized debt component and the capital replacement component for such current year.

The guaranteed annual rent for the current year 1965 shall be paid upon the date of execution of this agreement. The additional payment for such year shall be due and payable on or before March 31, 1966. The additional payment for the current year 2015 shall be due and payable on or before March 31, 2016.

No breach of any covenant, term or condition in this agreement shall excuse the Port Authority from the prompt payment of the rent herein reserved provided, however, in the event the Port Authority, under any law that may hereafter be enacted or applied, shall be or become subject to and liable for payment to the City of any taxes, assessments or governmental levies or imposts (except charges for water and for the use of the sewer system pursuant to Section 13 of the Original Agreement as herein amended and Section 14 of the Original Agreement) upon or against the demised premises or upon any part or parts thereof, then the payment by the Port Authority of the amount of such taxes, assessments, levies or imposts (except those imposed on sublessees or tenants for which the Port Authority, by agreement with such sublessees or tenants, assumes the obligation to pay) shall, as between the City and the Port Authority, be deemed payment *pro tanto* of the rent herein reserved, and the amount of such payments shall be treated as a cumulative credit against rent otherwise payable hereunder."

4. Repairs

a. Section 5 of the Original Agreement is amended by striking out the following words: ", ordinary wear and tear excepted"

b. Section 5 of the Original Agreement is further amended by adding the following sentence at the end thereof:

"In the event the premises or any building, structures or improvements thereon or any part thereof at the end of the lease term or sooner termination are in a state of disrepair resulting from the failure of the Port Authority to repair, maintain or paint said premises, building, structures or improvements during said term, then in that event the Port Authority shall be required to sufficiently repair, paint or place the premises in good order or condition as though all of such work had been properly done during such term."

5. Accounts

Section 8 of the Original Agreement is amended by striking that section out in its entirety and substituting therefor the following:

"The Port Authority shall keep, in a manner consistent with accepted accounting practice, complete records and accounts in regard to the operation, maintenance and construction or other capital development, and of all gross revenues and expenses, of the Municipal Air Terminals; and full and complete details of the costs of all properties transferred to and retired from plant in service and shall allow the City or any duly authorized representative of the City, at all reasonable times, to examine said records and accounts, also to examine all contracts and agreements relating to construction, maintenance and operation and all leases or agreements now or hereafter made with any and all tenants, occupants and users thereof, and such other documents as reasonably may be required by the City for the purposes of verifying, if it shall so desire, the statement or statements of annual net revenue herein required to be furnished by the Port Authority.

For this purpose the Port Authority shall make available agreement and lease files, and records reflecting any adjustments to accounts, and audit reports made by the internal auditors of the Port Authority or by outside accountants retained by the Port Authority or by consultants, relating to or verifying the factors of revenue, expense and imputed debt service which enter into the computation of rent under this lease.

All accounting records now separately maintained for the Municipal Air Terminals shall continue to be separately maintained and all Municipal Air Terminals records now incorporated with other Port Authority records shall, whenever feasible, be separately grouped and summarized within those Port Authority records and coded for ready identification.

All accounting records maintained by the Port Authority bearing on allocations and prorations of operation and maintenance expense to the Municipal Air Terminals shall be made available to the City or any duly authorized representative of the City."

6. Sewer and Other Rights Reserved to the City

Section 13 of the Original Agreement is amended by adding at the end of such Section the following paragraph:

"The Port Authority shall pay to the City the amount of all sewer rents and sewer surcharges prescribed by or pursuant to the provisions of Administrative Code §§ 683a(4)-9.0 and 687-1.0, for use of the sewer system by the demised premises.

7. Section 39 of the Original Agreement is hereby stricken out in its entirety.

8. This Seventh Supplemental Agreement shall be effective as of January 1, 1965.

9. The City agrees to waive and hereby does waive any claim which it may have against the Authority under Section 4 of the Original Agreement with respect to the period prior to December 31, 1964. It is further agreed that the payments heretofore made by the Port Authority to the City constitute full payment of the obligation of the Port Authority to the City under Section 4 of the Original Agreement for the period prior to December 31, 1964.

In Witness Whereof, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, the day and year first above written.

Attest:

City Clerk

The City of New York

Mayor

Attest:

Assistant Secretary

The Port of New York Authority

Executive Director

Approved as to Form:

Acting Corporation Counsel

Approved as to Form:

General Attorney

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STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 21st day of December, 1965, before me came Austin J. Tobin to me known, who, being by me duly sworn, did depose and say that he resides at 2 (Ex. 1) York City, that he is the Executive Director of The Port of New York Authority, the corporation described in, and which executed the foregoing instrument; that he knows the seal of said corporation; that it was so affixed by order of the Commissioners of said corporation; and that he signed his name thereto by like order.

(SEAL)

Catherine A. Zaffarano

CATHERINE A. ZAFFARANO
Notary Public, State of New York
No. 41-4376392
Qualified in Queens County
Commission Expires March 30, 1967

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 21st day of December, 1965 before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of The City of New York, who being by me duly sworn, did depose and say that he resides at in the Borough of Manhattan, City of New York; that he is the City Clerk of The City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporation seal; that it was so affixed as provided by law, and that he signed his name thereto as City Clerk by like authority, and further, that he knows and is acquainted with Robert F. Wagner, and knows him to be the person described in and who, as Mayor of The City of New York, executed the said instrument; that he saw him subscribe, execute and deliver the same, and that he acknowledged to him, the said HERMAN KATZ that he executed and delivered the same, and he, the said HERMAN KATZ thereupon subscribed his name thereto.

(SEAL)

Joseph A. Fanelli

JOSEPH A. FANELLI
Commissioner of Deeds
City of New York No. 3-200
Certificate filed in New York County
Commission Expires March 30, 1967

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TABLE I

INSTRUCTIONS: Determine the current interest rate established for the current year. "Leasehold Term Remaining" is the unexpired term of the lease from January 1 of the current year. The appropriate equal annual factor to be applied to the unamortized debt as of the beginning of that year is shown under the rate of current interest established for that year on the line corresponding to the "Leasehold Term Remaining."

TABLE I

Factors for Unamortized Debt Component of Imputed Debt Service

Leasehold Term Remaining	Amortization Factor Under "Current Interest" Rates of: 2½%	2¾%	3%	3¼%
51	.03491	.03580	.03670	.03761
50	.03526	.03614	.03704	.03795
49	.03562	.03651	.03740	.03830
48	.03601	.03688	.03777	.03867
47	.03641	.03728	.03816	.03906
46	.03683	.03770	.03857	.03946
45	.03727	.03813	.03901	.03989
44	.03773	.03859	.03946	.04034
43	.03822	.03907	.03994	.04081
42	.03873	.03958	.04044	.04131
41	.03927	.04012	.04097	.04184
40	.03984	.04066	.04153	.04239
39	.04044	.04127	.04212	.04298
38	.04107	.04190	.04275	.04360
37	.04174	.04257	.04341	.04426
36	.04245	.04328	.04411	.04495
35	.04321	.04403	.04486	.04569
34	.04401	.04482	.04565	.04648
33	.04486	.04567	.04649	.04732
32	.04577	.04658	.04739	.04822
31	.04674	.04754	.04835	.04917
30	.04778	.04858	.04938	.05020
29	.04889	.04969	.05049	.05130
28	.05009	.05088	.05168	.05248
27	.05138	.05216	.05296	.05376
26	.05277	.05355	.05434	.05514
25	.05428	.05505	.05584	.05663
24	.05591	.05669	.05747	.05826
23	.05770	.05847	.05924	.06003
22	.05965	.06041	.06119	.06196
21	.06179	.06255	.06332	.06409
20	.06415	.06491	.06567	.06644
19	.06676	.06752	.06828	.06904
18	.06967	.07042	.07118	.07194
17	.07293	.07368	.07443	.07519
16	.07660	.07735	.07810	.07885
15	.08077	.08151	.08226	.08301
14	.08554	.08628	.08702	.08777
13	.09105	.09179	.09253	.09328
12	.09749	.09823	.09897	.09971
11	.10511	.10584	.10659	.10733
10	.11426	.11500	.11574	.11648
9	.12546	.12620	.12694	.12769
8	.13947	.14021	.14096	.14171
7	.15750	.15825	.15900	.15975
6	.18155	.18231	.18307	.18383
5	.21525	.21602	.21680	.21758
4	.26582	.26662	.26742	.26822
3	.35014	.35098	.35183	.35268
2	.51883	.51977	.52072	.52166
1	1.02500	1.02625	1.02750	1.02875

TABLE I

(Continued)

Leasehold Term Remaining	3%	3¼%	3½%	3¾%	3¾%
51	.03853	.03947	.04041	.04136	.04232
50	.03887	.03979	.04073	.04168	.04263
49	.03921	.04014	.04107	.04201	.04296
48	.03958	.04050	.04142	.04236	.04331
47	.03996	.04087	.04180	.04273	.04367
46	.04036	.04127	.04219	.04312	.04405
45	.04079	.04169	.04260	.04352	.04445
44	.04123	.04213	.04304	.04395	.04488
43	.04170	.04259	.04349	.04441	.04533
42	.04219	.04308	.04398	.04488	.04580
41	.04271	.04360	.04449	.04539	.04630
40	.04326	.04414	.04503	.04592	.04683
39	.04384	.04472	.04560	.04649	.04739
38	.04446	.04533	.04620	.04709	.04798
37	.04511	.04597	.04685	.04773	.04861
36	.04580	.04666	.04753	.04840	.04928
35	.04654	.04739	.04825	.04912	.05000
34	.04732	.04817	.04903	.04989	.05076
33	.04816	.04900	.04985	.05071	.05157
32	.04905	.04988	.05073	.05158	.05244
31	.05000	.05083	.05167	.05252	.05337
30	.05102	.05185	.05268	.05352	.05437
29	.05211	.05294	.05377	.05460	.05545
28	.05329	.05411	.05494	.05577	.05660
27	.05456	.05538	.05620	.05702	.05785
26	.05594	.05675	.05756	.05838	.05921
25	.05743	.05823	.05904	.05985	.06067
24	.05905	.05985	.06065	.06146	.06227
23	.06081	.06161	.06241	.06321	.06402
22	.06275	.06354	.06433	.06513	.06593
21	.06487	.06566	.06644	.06724	.06804
20	.06722	.06800	.06878	.06957	.07036
19	.06981	.07059	.07137	.07215	.07294
18	.07271	.07348	.07425	.07503	.07582
17	.07595	.07672	.07749	.07826	.07904
16	.07961	.08037	.08114	.08191	.08268
15	.08377	.08453	.08529	.08606	.08683
14	.08853	.08928	.09004	.09080	.09157
13	.09403	.09478	.09554	.09630	.09706
12	.10046	.10121	.10197	.10272	.10348
11	.10808	.10883	.10958	.11033	.11109
10	.11723	.11798	.11873	.11949	.12024
9	.12843	.12918	.12994	.13069	.13145
8	.14246	.14321	.14396	.14472	.14548
7	.16051	.16126	.16202	.16278	.16354
6	.18460	.18536	.18613	.18690	.18767
5	.21835	.21913	.21992	.22070	.22148
4	.26903	.26983	.27064	.27144	.27225
3	.35353	.35438	.35523	.35608	.35693
2	.52261	.52356	.52450	.52545	.52640
1	1.03000	1.03125	1.03250	1.03375	1.03500

TABLE I

(Continued)

Leasehold Term Remaining	3¼%	3⅜%	3½%	4%
51	.04329	.04427	.04526	.04626
50	.04360	.04457	.04556	.04655
49	.04392	.04489	.04587	.04686
48	.04426	.04523	.04620	.04718
47	.04462	.04558	.04655	.04752
46	.04500	.04595	.04691	.04788
45	.04539	.04634	.04730	.04826
44	.04581	.04675	.04771	.04866
43	.04625	.04719	.04814	.04909
42	.04672	.04765	.04859	.04954
41	.04722	.04814	.04908	.05002
40	.04774	.04866	.04959	.05052
39	.04829	.04921	.05013	.05106
38	.04888	.04979	.05071	.05163
37	.04951	.05041	.05132	.05224
36	.05017	.05107	.05198	.05289
35	.05088	.05177	.05267	.05358
34	.05164	.05252	.05342	.05431
33	.05244	.05332	.05421	.05510
32	.05331	.05418	.05506	.05595
31	.05423	.05510	.05597	.05686
30	.05523	.05609	.05696	.05783
29	.05629	.05715	.05801	.05888
28	.05745	.05830	.05915	.06001
27	.05869	.05953	.06038	.06124
26	.06004	.06087	.06172	.06257
25	.06150	.06233	.06317	.06401
24	.06309	.06392	.06475	.06559
23	.06483	.06565	.06648	.06731
22	.06674	.06756	.06837	.06920
21	.06884	.06965	.07046	.07128
20	.07116	.07196	.07277	.07358
19	.07373	.07453	.07533	.07614
18	.07660	.07740	.07819	.07899
17	.07983	.08061	.08140	.08220
16	.08346	.08424	.08503	.08582
15	.08760	.08838	.08916	.08994
14	.09234	.09311	.09389	.09467
13	.09783	.09860	.09937	.10014
12	.10425	.10501	.10578	.10655
11	.11185	.11262	.11338	.11415
10	.12100	.12176	.12252	.12329
9	.13220	.13297	.13373	.13449
8	.14624	.14700	.14776	.14853
7	.16431	.16507	.16584	.16661
6	.18844	.18921	.18999	.19076
5	.22227	.22305	.22384	.22463
4	.27306	.27387	.27468	.27549
3	.35779	.35864	.35949	.36035
2	.52735	.52830	.52925	.53020
1	1.03625	1.03750	1.03875	1.04000

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TABLE I

(Continued)

Leasehold Term Remaining	4¼%	4⅛%	4⅛%	4¼%
51	.04726	.04828	.04930	.05033
50	.04735	.04856	.04958	.05060
49	.04785	.04886	.04987	.05089
48	.04817	.04917	.05017	.05119
47	.04851	.04950	.05050	.05151
46	.04886	.04985	.05084	.05184
45	.04924	.05022	.05121	.05220
44	.04963	.05061	.05159	.05258
43	.05005	.05102	.05200	.05298
42	.05050	.05146	.05243	.05341
41	.05097	.05192	.05289	.05386
40	.05147	.05242	.05338	.05434
39	.05200	.05294	.05390	.05486
38	.05256	.05350	.05445	.05540
37	.05316	.05410	.05504	.05598
36	.05381	.05473	.05567	.05661
35	.05449	.05541	.05634	.05727
34	.05522	.05613	.05705	.05798
33	.05600	.05691	.05782	.05874
32	.05684	.05774	.05865	.05956
31	.05774	.05864	.05954	.06044
30	.05871	.05960	.06049	.06139
29	.05975	.06063	.06152	.06241
28	.06088	.06175	.06263	.06352
27	.06210	.06297	.06384	.06472
26	.06342	.06428	.06515	.06602
25	.06486	.06571	.06657	.06744
24	.06643	.06728	.06813	.06899
23	.06814	.06899	.06983	.07068
22	.07003	.07086	.07170	.07255
21	.07210	.07293	.07376	.07460
20	.07440	.07522	.07605	.07688
19	.07695	.07776	.07858	.07941
18	.07980	.08061	.08142	.08224
17	.08300	.08380	.08461	.08542
16	.08661	.08741	.08821	.08902
15	.09073	.09152	.09232	.09311
14	.09545	.09624	.09703	.09782
13	.10092	.10170	.10249	.10328
12	.10733	.10810	.10888	.10967
11	.11492	.11569	.11647	.11725
10	.12406	.12483	.12560	.12638
9	.13526	.13603	.13680	.13757
8	.14930	.15006	.15084	.15161
7	.16738	.16815	.16893	.16970
6	.19154	.19232	.19310	.19388
5	.22542	.22621	.22700	.22779
4	.27630	.27712	.27793	.27874
3	.36120	.36206	.36292	.36377
2	.53115	.53210	.53305	.53400
1	1.04125	1.04250	1.04375	1.04500

If the current interest rate established for a current year is outside of the 2½-4½% range, then the equal annual factor for such year ($\frac{1}{a\,\overline{N}|}$) can be computed by the following formula:

$$\frac{1}{a\,\overline{N}|} = \frac{i}{1 - v^N}$$; where

N = Leasehold Term Remaining from January 1 of the current year;

i = Current interest rate established for that year; and

$$v = \frac{1}{1 + i}$$

The equal annual factors appearing in the foregoing table were computed by the application of this formula. These factors shall be subject to verification each year.

TABLE II

INSTRUCTIONS: Determine the current interest rate established for the current year. "Leasehold Term Remaining" is the unexpired term of the lease from January 1 of the current year. The appropriate replacement factor to be applied to the value of the plant in service as of the beginning of that year is shown under the rate of current interest established for that year on the line corresponding to the "Leasehold Term Remaining."

TABLE II

Factors for Capital Replacement Component of Imputed Debt Service

Leasehold Term Remaining	Replacement Rate	Replacement Factor Under "Current Interest" Rates of: 2½%	2¾%	2¼%
51	.00572	.03361	.03350	.03339
50	.00756	.03458	.03450	.03441
49	.00963	.03554	.03547	.03541
48	.01191	.03646	.03642	.03637
47	.01437	.03735	.03732	.03729
46	.01697	.03818	.03817	.03816
45	.01970	.03895	.03896	.03897
44	.02250	.03966	.03968	.03971
43	.02534	.04030	.04033	.04037
42	.02817	.04085	.04090	.04095
41	.03094	.04132	.04138	.04144
40	.03361	.04170	.04177	.04184
39	.03613	.04200	.04207	.04215
38	.03846	.04220	.04228	.04236
37	.04055	.04232	.04240	.04249
36	.04238	.04235	.04244	.04252
35	.04390	.04230	.04239	.04248
34	.04511	.04218	.04227	.04236
33	.04599	.04200	.04209	.04217
32	.04654	.04177	.04185	.04193
31	.04677	.04149	.04157	.04165
30	.04670	.04118	.04125	.04133
29	.04636	.04085	.04092	.04099
28	.04578	.04052	.04058	.04065
27	.04500	.04019	.04025	.04031
26	.04408	.03988	.03993	.03999
25	.04305	.03959	.03964	.03969
24	.04198	.03934	.03938	.03943
23	.04091	.03912	.03917	.03921
22	.03988	.03895	.03900	.03904
21	.03894	.03884	.03888	.03892
20	.03811	.03877	.03881	.03885
19	.03742	.03875	.03878	.03882
18	.03688	.03877	.03881	.03885
17	.03651	.03884	.03888	.03892
16	.03629	.03895	.03899	.03903
15	.03623	.03909	.03913	.03917
14	.03630	.03926	.03930	.03934
13	.03649	.03945	.03949	.03953
12	.03677	.03965	.03969	.03974
11	.03713	.03986	.03990	.03995
10	.03753	.04006	.04011	.04015
9	.03795	.04026	.04031	.04036
8	.03838	.04045	.04050	.04055
7	.03879	.04063	.04067	.04072
6	.03917	.04078	.04083	.04088
5	.03950	.04092	.04097	.04102
4	.03977	.04104	.04109	.04114
3	.03999	.04113	.04118	.04123
2	.04015	.04120	.04125	.04130
1	.04025	.04125	.04130	.04135

TABLE II

(Continued)

Leasehold Term Remaining	2¼%	2½%	2¾%	3%	3¼%
51	.03328	.03317	.03306	.03295	.03283
50	.03432	.03423	.03414	.03405	.03395
49	.03534	.03527	.03520	.03512	.03505
48	.03632	.03627	.03622	.03617	.03611
47	.03726	.03723	.03720	.03717	.03713
46	.03815	.03814	.03812	.03811	.03809
45	.03897	.03898	.03898	.03898	.03899
44	.03973	.03975	.03977	.03979	.03981
43	.04040	.04044	.04047	.04051	.04054
42	.04100	.04104	.04109	.04114	.04118
41	.04150	.04156	.04162	.04167	.04173
40	.04191	.04198	.04204	.04211	.04218
39	.04222	.04230	.04237	.04245	.04252
38	.04244	.04253	.04261	.04269	.04277
37	.04257	.04266	.04274	.04283	.04291
36	.04261	.04270	.04278	.04287	.04296
35	.04257	.04265	.04274	.04283	.04292
34	.04244	.04253	.04262	.04271	.04279
33	.04226	.04234	.04243	.04251	.04260
32	.04201	.04210	.04218	.04226	.04235
31	.04172	.04180	.04188	.04196	.04204
30	.04140	.04148	.04155	.04163	.04170
29	.04106	.04113	.04120	.04127	.04135
28	.04072	.04078	.04085	.04091	.04098
27	.04037	.04043	.04049	.04056	.04062
26	.04005	.04010	.04016	.04022	.04027
25	.03975	.03980	.03985	.03990	.03996
24	.03948	.03953	.03958	.03963	.03968
23	.03926	.03930	.03935	.03940	.03944
22	.03908	.03913	.03917	.03921	.03926
21	.03896	.03900	.03904	.03908	.03912
20	.03888	.03892	.03896	.03900	.03904
19	.03886	.03890	.03894	.03898	.03902
18	.03889	.03893	.03897	.03900	.03904
17	.03896	.03900	.03904	.03908	.03911
16	.03907	.03911	.03915	.03919	.03923
15	.03921	.03925	.03929	.03933	.03937
14	.03939	.03943	.03947	.03951	.03955
13	.03958	.03962	.03966	.03970	.03975
12	.03978	.03982	.03987	.03991	.03995
11	.03999	.04003	.04008	.04012	.04017
10	.04020	.04024	.04029	.04034	.04038
9	.04040	.04045	.04050	.04054	.04059
8	.04059	.04064	.04069	.04074	.04078
7	.04077	.04082	.04087	.04092	.04096
6	.04093	.04098	.04103	.04108	.04113
5	.04107	.04112	.04117	.04122	.04127
4	.04119	.04124	.04129	.04134	.04138
3	.04128	.04133	.04138	.04143	.04148
2	.04135	.04140	.04145	.04150	.04155
1	.04140	.04145	.04150	.04155	.04160

TABLE II

(Continued)

Leasehold Term Remaining	3½%	3¼%	3¼%	3⅛%
51	.03272	.03260	.03248	.03237
50	.03386	.03376	.03367	.03357
49	.03498	.03490	.03483	.03475
48	.03606	.03601	.03595	.03589
47	.03710	.03706	.03703	.03699
46	.03808	.03806	.03804	.03802
45	.03899	.03899	.03899	.03899
44	.03982	.03984	.03986	.03987
43	.04057	.04060	.04064	.04067
42	.04123	.04127	.04132	.04136
41	.04179	.04185	.04190	.04196
40	.04225	.04231	.04238	.04244
39	.04260	.04267	.04275	.04282
38	.04285	.04293	.04301	.04309
37	.04300	.04308	.04317	.04325
36	.04305	.04313	.04322	.04331
35	.04301	.04309	.04318	.04327
34	.04288	.04297	.04306	.04315
33	.04269	.04277	.04286	.04295
32	.04243	.04251	.04260	.04268
31	.04212	.04220	.04228	.04236
30	.04178	.04186	.04193	.04201
29	.04142	.04149	.04156	.04163
28	.04105	.04111	.04118	.04125
27	.04068	.04074	.04080	.04086
26	.04033	.04039	.04044	.04050
25	.04001	.04006	.04012	.04017
24	.03973	.03977	.03982	.03987
23	.03949	.03953	.03958	.03962
22	.03930	.03934	.03939	.03943
21	.03916	.03920	.03925	.03929
20	.03908	.03912	.03916	.03920
19	.03906	.03910	.03913	.03917
18	.03908	.03912	.03916	.03920
17	.03915	.03919	.03923	.03927
16	.03927	.03931	.03935	.03938
15	.03941	.03945	.03949	.03953
14	.03959	.03963	.03967	.03971
13	.03979	.03983	.03987	.03991
12	.04000	.04004	.04008	.04013
11	.04021	.04026	.04030	.04035
10	.04043	.04047	.04052	.04056
9	.04064	.04068	.04073	.04077
8	.04083	.04088	.04093	.04097
7	.04101	.04106	.04111	.04116
6	.04117	.04122	.04127	.04132
5	.04132	.04137	.04141	.04146
4	.04143	.04148	.04153	.04158
3	.04153	.04158	.04163	.04168
2	.04160	.04165	.04170	.04175
1	.04166	.04171	.04176	.04181

TABLE II

(Continued)

Leasehold Term Remaining	4%	4¼%	4½%	4¾%	5%
51	.03225	.03213	.03201	.03189	.03177
50	.03347	.03337	.03328	.03317	.03307
49	.03467	.03459	.03452	.03444	.03436
48	.03584	.03578	.03572	.03566	.03560
47	.03695	.03691	.03687	.03683	.03679
46	.03800	.03798	.03796	.03794	.03792
45	.03899	.03898	.03898	.03898	.03897
44	.03989	.03990	.03991	.03993	.03994
43	.04070	.04073	.04075	.04078	.04081
42	.04141	.04145	.04149	.04153	.04158
41	.04201	.04207	.04212	.04218	.04223
40	.04251	.04257	.04264	.04270	.04277
39	.04289	.04297	.04304	.04311	.04319
38	.04317	.04325	.04333	.04341	.04349
37	.04334	.04342	.04350	.04359	.04367
36	.04340	.04348	.04357	.04366	.04375
35	.04336	.04345	.04354	.04363	.04371
34	.04324	.04332	.04341	.04350	.04359
33	.04303	.04312	.04321	.04329	.04338
32	.04276	.04285	.04293	.04302	.04310
31	.04244	.04252	.04261	.04269	.04277
30	.04209	.04216	.04224	.04232	.04239
29	.04170	.04178	.04185	.04192	.04199
28	.04131	.04138	.04145	.04151	.04158
27	.04093	.04099	.04105	.04111	.04118
26	.04056	.04062	.04068	.04073	.04079
25	.04022	.04028	.04033	.04038	.04044
24	.03992	.03997	.04002	.04007	.04012
23	.03967	.03972	.03976	.03981	.03986
22	.03947	.03952	.03956	.03960	.03965
21	.03933	.03937	.03941	.03945	.03950
20	.03924	.03928	.03932	.03936	.03940
19	.03921	.03925	.03929	.03933	.03937
18	.03924	.03927	.03931	.03935	.03939
17	.03931	.03935	.03939	.03942	.03946
16	.03942	.03946	.03950	.03954	.03958
15	.03957	.03961	.03965	.03969	.03973
14	.03975	.03980	.03984	.03988	.03992
13	.03996	.04000	.04004	.04008	.04012
12	.04017	.04021	.04026	.04030	.04034
11	.04039	.04043	.04048	.04052	.04057
10	.04061	.04065	.04070	.04075	.04079
9	.04082	.04087	.04091	.04096	.04101
8	.04102	.04107	.04112	.04116	.04121
7	.04121	.04125	.04130	.04135	.04140
6	.04137	.04142	.04147	.04152	.04157
5	.04151	.04156	.04161	.04166	.04171
4	.04163	.04168	.04173	.04178	.04183
3	.04173	.04178	.04183	.04188	.04193
2	.04180	.04185	.04190	.04196	.04201
1	.04186	.04191	.04196	.04201	.04206

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If the current interest rate established for a current year is outside of the 2½-4½% range, then the replacement factor for such year (Fy) can be computed by the following formula:

$$F_y = \left[\sum_{j=y}^{j=M} (R_j)(v)^{(j-y)}\right]\left[\frac{i}{1-v^{(M-y+1)}}\right]$$; where

y = Current year of lease (For example, January 1, 1965 through December 31, 1965 = 1, etc.);

i = Current interest rate established for that year;

Rj = Replacement rate for that year (The replacement rate for a current year is the replacement rate shown alongside the "Leasehold Term Remaining" figure measured from January 1 of any such year. For example, the replacement rate for 1965 = .00572);

M = 51; and

$$v = \frac{1}{1+i}$$

The replacement factors appearing in the foregoing table were computed by the application of this formula. These factors shall be subject to verification each year.

CITY OF NEW YORK
BOARD OF ESTIMATE
BUREAU OF SECRETARY
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BOARD OF ESTIMATE
BUREAU OF SECRETARY
MAR 13 1969
REFERRED CALENDAR
Reg. No. 4535 Vol. 141

THE CITY OF NEW YORK

and

THE PORT OF NEW YORK AUTHORITY

REEL 339 PAGE 44

EIGHTH SUPPLEMENTAL AGREEMENT

with respect to

MUNICIPAL AIR TERMINALS

Dated: December 12, 1968

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AGREEMENT (hereinafter referred to as "Eighth Supplemental Agreement") made as of this 12th day of December, 1968, by and between THE CITY OF NEW YORK, a municipal corporation of the Borough of Manhattan, City of New York (hereinafter referred to as the "City") and THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, with its office at 111 Eighth Avenue, Borough of Manhattan, City of New York (hereinafter referred to as the "Port Authority"),

REEL 339 PAGE 45

WITNESSETH, That:

WHEREAS, the parties hereto under date of April 17, 1947, have duly entered into an Agreement with Respect to Municipal Air Terminals (hereinafter referred to as "Original Agreement"), and

L. 5402 P. 319

926 PT 1 200 + 190 PT & PKWAY

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13990 / 1

16000 / 1

16017 / 1

769 PT 100

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WHEREAS, the said parties have duly amended, supplemented and modified the said Original Agreement by several Agreements duly entered into as of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960, August 24, 1965 and December 21, 1965, respectively, and

WHEREAS, it is necessary and desirable that certain of the terms, conditions and provisions of said Original Agreement should be further modified, amended and supplemented,

NOW, THEREFORE, for and in consideration of the agreements and covenants herein contained, the City and the Port Authority hereby mutually undertake, promise and agree,

each for itself and its successors and assigns that said Original Agreement shall be and it is hereby further supplemented and amended as follows:

I. SUBSTITUTED SCHEDULE A

The schedule marked "Substituted Schedule A" annexed to the Second Supplemental Agreement and amended and supplemented by the Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement is hereby further amended and supplemented by adding as Items 15, 16 and 17 thereof, the "Supplement to Substituted Schedule A" annexed hereto. Whenever in the Original Agreement reference is made to Schedule A, such reference shall be construed to refer to said Substituted Schedule A as substituted by the Second Supplemental Agreement, amended and supplemented by the Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement and as amended and supplemented hereby.

II. SURRENDER OF PORTION OF DEMISED PREMISES - LA GUARDIA AIRPORT

A. ADDITIONAL PROPERTY ACQUIRED

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises described in Item 15 of the "Supplement to Substituted Schedule A" attached hereto, and all the estate, right, title, interest,

term of years, property, claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the intent and purpose that the said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the Original Agreement as amended, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, upon the conditions following, to wit: during the term for which the demised premises are leased,

REEL 339 PAGE 47

1. the Port Authority and the Federal Aviation Administration shall have the right, without cost or expense to the City, to install, maintain, operate, relocate or replace in, under and upon the premises herein surrendered, including any city streets which may be within the boundaries thereof, such approach lighting systems and other aids to avigation and facilities incidental thereto as shall be necessary or desirable in the opinion of the Port Authority or of the Federal Aviation Administration for the safe and efficient operation of La Guardia Airport, at locations therein which the Port Authority shall deem appropriate therefor, and the Port Authority and the Federal Aviation Administration, its and their duly designated employees, contractors and agents shall have the right at all times to enter upon the said premises to inspect the condition thereof and to enter thereon with men, equipment, trucks and vehicles in order to effect the installation, repair, replacement, expansion and relocation of such approach lighting systems, other aids to avigatio

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and facilities incidental thereto; REEL 339 PAGE 48

2. the City shall use the premises herein surrendered for park purposes and for no other purpose whatsoever; the City shall not develop or use the premises herein surrendered nor exercise any right with respect thereto so as to interfere with, impair or obstruct the safe and efficient operation and development of La Guardia Airport or the safe and unrestricted passage of aircraft in and over the same; the City shall abate any smoke or vapor, at the request of the Port Authority; the City shall not erect, install or maintain any structure, building, tower, pole, wire or other object the construction, maintenance or operation of which would constitute a hazard to avigation in the opinion of the Port Authority;

3. the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfereing with or damaging any property upon the said premises installed, operated or maintained by or on behalf of the Port Authority or the Federal Aviation Administration; and

4. the City shall not place fill in or upon the premises surrendered by Section II-A of this Eighth Supplemental Agreement or place any structures or buildings thereon except in accordance with plans approved by the Chief Engineer of the Port Authority, provided, that such approval shall not be withheld unreasonably.

B. DITMARS BOULEVARD RELOCATED

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises hereinafter more fully bounded and described and all the estate, right, title, interest, terms of years, property claim and demand whatsoever of the Port Authority of, in, to and out of the same, to the extent and purpose that the said term in said portion of the demised premises may be wholly merged, distinguished, determined and excluded from the Original Agreement as amended, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever, provided, that during the term for which the demised premises are leased, said premises herein surrendered shall be held by the City for street purposes and for no other purpose or purposes whatsoever, and provided further that the Port Authority shall have the right to the maintenance and use therein and thereunder of utility facilities heretofore installed by the Port Authority:

> All that certain plot, piece or parcel of land situate, lying and being in the County of Queens, City and State of New York, more fully bounded and described as follows:
>
> > Beginning at a point which is the intersection of the easterly line of relocated Ditmars Boulevard (100 feet wide) with the northerly line of Grand Central Parkway said point of beginning having the coordinate values of South 31551.943 and East 24690.651 and running thence (1) Westwardly along said northerly line of Grand Central Parkway, curving to the right along the arc of a circle, the radius of which is 6257.00 feet, a distance

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of 100.49 feet to the westerly line of relocated Ditmars Boulevard (100 feet wide); thence (2) North 41°-50'-57" West along said westerly line of relocated Ditmars Boulevard, 466.83 feet to a point of curvature; thence (3) Northwestwardly along said westerly line of relocated Ditmars Boulevard, curving to the left along the arc of a circle, the radius of which is 135.00 feet a distance of 105.53 feet to a point in the northerly prolongation of said 81st Street; thence (4) North 36°-54'-45" West along said northerly prolongation of 81st Street, 9.36 feet to a point in the former westerly line of Ditmars Boulevard; thence (5) Southeastwardly along said former westerly line of Ditmars Boulevard, curving to the right along the arc of a circle, the radius of which is 871.48 feet, a distance of 162.09 feet to a point in the easterly line of relocated Ditmars Boulevard, thence (6) South 41°-50'-57" East, along said easterly line of relocated Ditmars Boulevard, 477.38 feet to the point and place of beginning. REEL 339 PAGE 50

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

C. RIKERS ISLAND BRIDGE

The Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portion of the demised premises hereinafter described and of the estate, right, title, interest, term of years, property claim and demand whatsoever of the Port Authority of, in, to and out of the same to the intent and purpose that said term in said portion of the premises herein surrendered may be wholly merged, extinguished, determined and excluded from the Original Agreement as amended, to have and to hold said premises herein surrendered unto the City,

its successors and assigns forever, provided that until the expiration or sooner termination of said Original Agreement, as amended, the premises herein surrendered shall be held by the City for the maintenance and operation of that portion of the Rikers Island Bridge approach structure presently constructed within the demised premises and for no other purpose or purposes whatsoever.

The premises herein surrendered consist of all that certain plot, piece or parcel of land situate and being in the County of Queens, City and State of New York, 80 feet in width measured 40 feet from each side of the center line of that portion of the Rikers Island Bridge approach structure presently constructed within the demised premises lying below a limiting plane the elevation of which is 45 feet above the surface elevation of the pavement surfaces of the bridge approach roadways.

RESERVING to the Port Authority, however, the right to place fill therein and construct within, over or upon the aforesaid described property and under, in, over or upon said approach structure appropriate means of access to and from other portions of the demised premises at La Guardia Airport abutting upon either side of the aforesaid described property for vehicles, pedestrians, pipelines or other utilities, provided, however, that (a) such rights shall be exercised with minimum inconvenience to the City in the use of the

bridge approach structure; (b) any Port Authority plans and specifications for placing such fill and providing such access shall be subject to the approval of the Commissioner of Public Works of the City, which approval shall not be unreasonably withheld; (c) the City shall not erect, install or maintain any additional structure, building, tower, pole, wire or other object, the construction, maintenance or operation of which in the opinion of the Port Authority would constitute a hazard to avigation; (d) the City shall take all reasonably practicable precautions to prevent its agents, employees, licensees, contractors and invitees from intruding upon, interfering with or damaging any property used in connection with the operation or development of La Guardia Airport; and (e) the City, for itself, its agents, contractors, consultants, employees or others acting on its behalf but without creating any rights in third parties in the nature of third-party contract beneficiary rights, shall indemnify and save the Port Authority harmless from any claims, causes of action or judgments, by reason of any loss, damages or personal injury sustained by any person or persons including death, as well as for any claims for damages to property as may arise or as may be alleged to arise from the construction, maintenance, operation, control or occupancy in or upon the said premises by the City including claims, suits and demands based on the alleged negligence in connection therewith of the Port Authority, its Commissioners, officers, agents or employees.

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III. LEASE OF ADDITIONAL DEMISED PREMISES - LA GUARDIA AIRPORT

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City for air terminal purposes and for purposes incidental thereto the additional lands hereinafter described to have and to hold unto the Port Authority until the expiration or sooner termination of the Original Agreement as amended, subject to all the terms, covenants and conditions set forth therein and any special terms, covenants and conditions hereinafter set forth with respect to any particular parcel;

REEL 339 PAGE 53

A. PARKING LOT NO. 5

All that certain plot, piece or parcel of land situate, lying and being in the County of Queens, City and State of New York, more particularly bounded and described as follows:

Beginning at the southeasterly corner of lands demised to The Port of New York Authority by The City of New York, by agreement entitled "Agreement with Respect to Municipal Air Terminals" dated April 17, 1947, recorded in the Office of the New York City Register, Queens County on May 22, 1947 in Liber 5402, Page 319, etc. of conveyances as amended, said point having the coordinate values of South 28137.071 and East 30055.609 and running thence (1) North 19°-13'-14" East along the easterly boundary line of said demised lands, 160.076 feet to a point the coordinates of which are South 27985.918, East 30108.307; thence (2) North 65°-58'-56" West, along said boundary line, 167.95 feet to a point the coordinates of which are South 27917.56, East 29954.90; thence (3) North 53°-05'-15" East, along said boundary line, 1732.55 feet to a point the coordinates of which are South 26876.993, East 31340.163; thence (4) South 11°-16'-29.13" West, 1658.888 feet to a point the coordinates of which

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are South 28503.866, East 31015.827; thence (5) North 68°-45'-22" West, 685.000 feet to a point of curvature the coordinates of which are South 28255.664, East 30377.375; thence (6) Westwardly curving to the left along the arc of a circle, the radius of which is 9711.30 feet, a distance of 342.943 feet to the point and place of beginning.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

RESERVING to the City and to the United States Army Corps of Engineers a right of escorted access at all times by the Port Authority for vehicles and pedestrians through the aforesaid described lands to uplands now owned by the City and the United States Government abutting and lying and being situate southeast of the Airport.

SUBJECT to the following special terms, covenants and conditions:

1. If within six (6) months from the commencement of the letting hereunder the Department of Parks requests the Port Authority in writing to construct facilities to be devoted to park purposes at a location and upon plans and specifications to be approved by the Port Authority, the Port Authority shall proceed promptly to arrange for such construction; and the Port Authority shall assume the cost of construction up to but not exceeding Three Hundred Fifty Thousand Dollars ($350,000).

2. In the event no request to construct park facilities is received by the Port Authority from the Department of Parks within the time provided for in 1. above or the total cost of the construction so requested is less than Three Hundred Fifty Thousand Dollars ($350,000) the Port Authority shall pay either the difference between Three Hundred Fifty Thousand Dollars ($350,000) and the cost of the construction requested into the general fund of the City or the total amount of Three Hundred Fifty Thousand Dollars ($350,000) whichever is applicable.

3. The consents of the Port Authority herewith granted to the sale by the City at public auction of Parcel 6 and Parcel 8 described under Item 13 of said "Substituted Schedule A" heretofore surrendered by the Port Authority to the City for park purposes, as contained in Paragraph III of the agreement between the City and the Port Authority dated November 6, 1958 constituting the "Fourth Supplemental Agreement with Respect to Municipal Air Terminals", provided that:

(a) Said sale be made subject to covenants running with the land containing (i) the applicable airport protective provisions set forth in said Fourth Supplemental Agreement and (ii) a proviso that the successful purchaser at said public auction shall have no claim against the City, the Port Authority or the United States Government arising out of the operation of La Guardia Airport.

REEL 3550 PAGE 55

(b) Out of the proceeds of each sale the City before depositing such proceeds into its general fund shall pay to the Port Authority the following: REEL 339 PAGE 56

(i) For disposition as directed by the Federal Aviation Agency, a sum equal to that Agency's share of the cost of acquisition paid by it for the parcel sold and

(ii) The difference, if any, between the Federal Aviation Agency's share as aforesaid and the total purchase price paid by the Port Authority for the acquisition of the parcel sold.

4. As between the City and the Port Authority, but without creating any rights in third persons, the Port Authority does hereby assume all responsibility for injuries to persons and damage to private and/or City property caused by its operations within the aforesaid described property and shall and does save and hold harmless the City and the Department of Parks from all claims and suits which may arise therefrom.

B. EXISTING PILE SUPPORTED EXTENSIONS TO RUNWAY 4-22 AND RUNWAY 13-31

All that certain plot, piece or parcel of land now or formerly under the waters of Flushing Bay and the East River, Boroughs and Counties of Queens and Bronx, respectively, City and State of New York, more particularly bounded and

described in the Grant Agreement from the People of the State of New York to The Port of New York Authority dated March 18, 1968 and recorded in the Department of State in Vol. 17 of Miscellaneous Deeds and Title Papers at page 331. REEL 339 PAGE 57

The term of this letting shall be from the date hereof until the expiration or sooner termination of the Original Agreement as amended or the aforesaid Grant Agreement, whichever is earlier, and subject to the covenants, conditions and restrictions set forth in said Grant Agreement.

E. BED OF DITMARS BOULEVARD (FORMER LOCATION)

All that certain plot, piece or parcel of land situate, lying and being in the County of Queens, City and State of New York, more particularly bounded and described as follows:

Beginning at a point which is the intersection of the former easterly line of Ditmars Boulevard (100 feet wide) with the northerly line of Grand Central Parkway said point of beginning having the coordinate values of South 31179.854 and East 25000.683 and running thence (1) Westwardly along said northerly line of Grand Central Parkway, curving to the right along the arc of a circle, the radius of which is 6257.00 feet, a distance of 118.92 feet to the former westerly line of Ditmars Boulevard thence (2) Northwardly along said former westerly line of Ditmars Boulevard, curving to the right along the arc of a circle, the radius of which is 1469.227 feet, a distance of 239.73 feet to a point of reverse curvature; thence (3) Northwardly, along said former westerly line of Ditmars Boulevard, curving to the left along the arc of a circle, the radius of which is 871.48 feet, a distance of 323.57 feet to a point in the easterly line of relocated Ditmars Boulevard; thence (4) North 41°-50'-57" West, along said easterly line of relocated Ditmars Boulevard; 27.65 feet to a point of curvature; thence (5) Northwardly, along said easterly line of relocated Ditmars Boulevard, curving to the left along the arc of a circle, the radius of which is 165.00 feet, a distance of 154.85 feet to a point in the former easterly line of Ditmars Boulevard; thence (6) Southwardly along said former easterly line of Ditmars Boulevard, curving to the right along the

arc of a circle, the radius of which is 971.483 feet, a distance of 504.13 feet to a point of reverse curvature; thence (7) Southwardly along said former easterly line of Ditmars Boulevard, curving to the left along the arc of a circle, the radius of which is 1369.227 feet, a distance of 285.54 feet to the point and place of beginning.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

IV. LEASE OF ADDITIONAL DEMISED PREMISES - J.F. KENNEDY INTERNATIONAL AIRPORT - EXISTING RUNWAY 4L-22R

The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City for air terminal purposes and for purposes incidental thereto the additional lands hereinafter described as are owned by the City, to have and to hold, unto the Port Authority until the expiration or sooner termination of the Original Agreement as amended, subject to all the terms, covenants and conditions set forth therein:

All that certain plot, piece or parcel of land situate, lying and being in the County of Queens, City and State of New York, now or formerly under the waters of Jamaica Bay more particularly bounded and described as follows:

Beginning at a point which is the intersection of the U.S. Pierhead and Bulkhead Line with the center line of Runway 4L-22R at John F. Kennedy International Airport, the coordinates of said point being South 61420.708, East 75234.177, and running thence (1) South 87°-43'-49.2" East along said U.S. Pierhead and Bulkhead Line, 250.013 feet to appoint the coordhinates of which are South 61430.609, East 75483.994; thence (2) South 1°-39'-00" West, 2784.297 feet to a point the coordinates of which are South 64213.751, East 75403.823; thence (3) North 88°-21'-00" West, 1037.500 feet to a point the coordinates of which are South 64183.877 East 74366.753; thence (4) North 1°-39'-00" East, 721.000 feet to a point the coordinates of which are South 63463.176, East 74387.513; thence (5) North 46°-21'-00" East, 337.649 feet to a point the coordinates of which are South 63230.114 East 74631.826; thence (6) North 1°-39'-00" East,

1831.949 feet to a point in said U.S. Pierhead and Bulkhead Line the coordinates of which are South 61398.925, East 74684.575; thence (7) South 87°-43'-49.2" East, along said U.S. Pierhead and Bulkhead Line, 550.033 feet to the point and place of beginning. The area whereof is 2,430.636 square feet or 55.800 acres.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

REEL 339 PAGE 59

In the event that it should be necessary for an application to be made to the State of New York to remove any cloud upon the title of the City with respect to the said premises, the City shall cooperate with the Port Authority with respect to any and all obligations, measures or other action appropriate for the effectuation of such purposes all at no expense to the City.

V. RENT

There shall be no reduction in rent or the Port Authority's obligations under the agreement with respect to the Municipal Air Terminals as amended and supplemented by reason of the release or surrender of any of the premises herein provided for.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly

attested and this Agreement to be signed by its Executive Director, the day and year first above written.

REEL 339 PAGE 60

THE CITY OF NEW YORK

Attest:

City Clerk

Deputy Mayor

THE PORT OF NEW YORK AUTHORITY

Attest:

Assistant Secretary

Executive Director

Approved as to form

Acting Corporation Counsel

Approved as to form

Assistant General Counsel

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

REEL 339 PAGE 61

On the 24th day of March, 1959, before me personally came HERMAN KATZ, with whom I am personally acquainted, and known to me to be the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at [illegible] Street, Borough of Manhattan, City of New York; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with ~~JOHN V. LINDSAY~~ Robert W. Sweet and knows him to be the person described in and who as Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw him subscribe and execute the same, and that he acknowledged to him, the said HERMAN KATZ, that he executed the same, and he, the said HERMAN KATZ thereupon subscribed his name thereto.

Deputy

Tillie Zmurko

TILLIE ZMURKO
Commissioner of Deeds, City of New York
No. 3-611
Certificate filed in New York County
Commission Expires October 24, 1959

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STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

REEL 339 PAGE 62

On this 12th day of December, 1968, before me personally came and appeared AUSTIN J. TOBIN, to me known, who being by me duly sworn, did depose and say that he resides at - Ex. 1 , New York, New York; that he is the Executive Director of THE PORT OF NEW YORK AUTHORITY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT OF NEW YORK AUTHORITY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT OF NEW YORK AUTHORITY and that he signed his name thereto by like order.

Albert J. Buckley

ALBERT J. BUCKLEY
NOTARY PUBLIC, State of New York
No. 60-0470050
Qualified in Westchester County
Commission Expires March 30, 1970

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SUPPLEMENT TO SUBSTITUTED SCHEDULE A

ITEM 15

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, known on a certain map entitled, "Map of Property belonging to Valentine Klein," situate in the 2nd Ward, Borough of Queens, New York City, surveyed September 1919 by Walter I. Browne, C.E. & C.S., and filed in the Queens County office 11/11/1919, as and by Lots Nos. 34 and 35, which said lots with reference to said map are more particularly bounded and described as follows:

REEL 339 PAGE 63

BEGINNING at the corner formed by the intersection of the Northeasterly side of Astoria Avenue with the Easterly side of 24th Street (now 81st Street); thence running Northerly, along said Easterly side of 24th Street, 99.65 feet; thence Easterly, at right angles to said 24th Street, 50 feet; thence Southerly, again parallel with said 24th Street, 118.33 feet to said Northeasterly side of Astoria Avenue; and thence Northwesterly, along said Northeasterly side of Astoria Avenue, 53.37 feet to the point or place of BEGINNING.

EXCEPTING so much therefrom as was taken for the opening and widening of Astoria Boulevard.

Be the said several dimensions more or less.

ITEM 16

The right to install or permit the installation by the Federal Aviation Agency of aids to avigation in and upon the following described strip of property: REEL 339 PAGE 64

ALL that certain plot, piece or parcel of land situate and being in the Borough and County of Queens, City and State of New York, more particularly bounded and described as follows:

A parcel of land 400 feet wide and approximately 2300 feet long being 200 feet on each side of a center line drawn between points A and B, more particularly described as follows:

Point A: Being the point of intersection of the easterly line of Brookville Boulevard with the westerly line of Public Place as shown on Map 4445 approved by the Board of Estimate August 25, 1966. The coordinates of said point having the values of South 50073.247 and East 80011.861.

Point B: Being a point in the westerly line of Huxley Street distant 310.00 feet northerly thereon from the intersection of said westerly line of Huxley Street with the northerly line of Hook Creek Basin as shown on Map 4445 Approved by the Board of Estimate August 25, 1966. The coordinates of said point having the values of South 48672.492 and East 81881.320.

The coordinates and bearings hereinabove mentioned in the description in this item refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid north being 28°-59'-13.5" east of true north.

INCLUDING AND SUBJECT TO the restrictions, covenants, terms and conditions provided in the Agreement between the City and the Port Authority dated June 20, 1967 not completed or satisfied by this letting.

ITEM 17

TRACT A

ALL that certain plot, piece or parcel of land, situate, lying and being in the 5th Ward of the Borough and County of Queens, City and State of New York, shown and designated on the Tax Map of the Borough of Queens in the 5th Ward as Lot 1, Block 459, as said Tax Map was on October 22, 1951, and being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly side of DeCosta Avenue, 50 feet wide, with the easterly side of Beach 63rd Street, 60 feet wide; thence northerly along the easterly side of Beach 63rd Street, 500 feet to the high water line of Jamaica Bay, as said high water line was fixed, determined upon and established by agreement recorded in the City Register's Office of Queens County in Liber 2171 of conveyances page 381, and by agreement recorded in said office in Liber 2238 of conveyances page 10; said high water line being distant 100 feet southerly from U.S. Pierhead and Bulkhead Line; thence easterly along said high water line of Jamaica Bay above referred to and at right angles to the last described course, 33.99 feet to an angle point; thence northeasterly still along said high water line of Jamaica Bay

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above referred to, said line being parallel with U.S. Pierhead & Bulkhead Line and being distant 100 feet southeasterly therefrom, a distance of 2108.33 feet; thence southeasterly at right angles to the last described course, 437.61 feet; thence southwesterly at right angles to the last described course, 100 feet; thence southwesterly in a straight line in continuation of the last described course, and along U.S. Pierhead and Bulkhead Line, 350 feet; thence southwesterly along a line which on its northwest side forms an interior angle of 207 degrees 00 minutes 04.7 seconds with the last described course, and along the U.S. Pierhead & Bulkhead Line, 440.52 feet; thence southwesterly along a line which on its northwesterly side forms an interior angle of 152 degrees 59 minutes 55.3 seconds with the last described course, and along the U.S. Pierhead & Bulkhead Line, 927.50 feet; thence southwesterly along a line which on its northwesterly side forms an interior angle of 209 degrees 03 minutes 16.6 seconds with the last described course, and along the U.S. Pierhead & Bulkhead Line, 218.57 feet to the northerly side of DeCosta Avenue, 50 feet wide; thence westerly along the northerly side of DeCosta Avenue, 50 feet wide, 603.95 feet to the point or place of BEGINNING.

REEL 339 PAGE 66

TRACT B

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York, shown and designated on the Tax Map of the City of New York for the Borough of Queens as Section 61, Block 16017, Lot 1, as said Map was on October 22, 1951.

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THIS INDENTURE AND ELEVENTH SUPPLEMENTAL AGREEMENT OF THE AIRPORT TERMINALS LEASE, made as of the 11th day of December, 1992, between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic, created by Compact between the States of New York and New Jersey, with the consent of Congress, having its office at One World Trade Center, Borough of Manhattan, City, County and State of New York, (hereinafter referred to as the "Port Authority") and THE CITY OF NEW YORK, a municipal corporation of the State of New York, having its principal office at City Hall, in the Borough of Manhattan, City, County and State of New York (hereinafter referred to as the "City").

WITNESSETH THAT:

WHEREAS, pursuant to that certain Agreement with respect to Municipal Air Terminals between the City and the Port Authority dated April 17, 1947, which was recorded on May 22, 1947, in the Office of the Register (Queens County), New York in Liber 5402 of Conveyances, page 319, and as such Agreement has been supplemented from time to time (the "Air Terminals Lease"), the City has demised to the Port Authority certain described premises for air terminal purposes and certain purposes incidental thereto (collectively, "Air Terminals Uses"); and

WHEREAS, the Air Terminals Lease provides, among other things, that the Port Authority shall, immediately upon acquisition of any lands and improvements thereon or rights, easements or interests therein for use in extension of the municipal air terminals or for use in maintaining airplane beacons, guides or other aids to navigation (collectively, "Acquisition Purposes"), convey the same to the City without consideration, and such property shall become part of the premises demised under the Air Terminals Lease; and

WHEREAS, the Port Authority has acquired certain real property hereinafter described (said real property and an easement acquired in connection with the acquisition of such property being hereinafter referred to as the "Property"), subject to the encumbrances and exceptions specified herein for Acquisition Purposes; and

WHEREAS, pursuant to the Air Terminals Lease, the Port Authority desires to convey the Property to the City; and

WHEREAS, pursuant to the Air Terminals Lease, the City desires to accept fee title to the Property and to lease the Property back to the Port Authority; and

WHEREAS, the Port Authority and the City wish to enter into certain understandings with respect to the Property;

NOW, THEREFORE, in consideration of the premises herein and undertakings hereinafter set forth and because the Port Authority has acquired, and hereby represents that it has acquired, the Property for Acquisition Purposes, the Port Authority and the City hereby agree as follows:

1. The Port Authority does, in accordance with and pursuant to the requirements of the Air Terminals Lease, hereby remise, release and quit claim unto the City, its successors and assigns forever, all right, title and interest of the Port Authority in and to the Property which is described as follows:

ALL these lots, pieces or parcels of land, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as set forth in Exhibit A and Schedule B-1 hereto and the easement conveyed to the Port Authority and its successors and assigns in the deed conveying such parcels of land to the Port Authority on the areas bounded and described as set forth in Exhibit B hereto.

Subject, however, to the following:

(a) the Air Terminals Lease, and all rights of the City and the Port Authority, respectively, as lessor and lessee or otherwise thereunder;

(b) outstanding title in the People of the State of New York or in the City and liens and encumbrances in favor of the People of the State of New York or the City which reduce the estate or interest of any of the former owners;

(c) encroachments, if any, upon the premises herein described of any structures or appurtenances standing or maintained partly upon the premises herein described and partly upon the adjoining premises;

(d) any state of facts which an accurate survey may show;

(e) the Cable Facilities Lease and the Barterama Agreement as such terms are defined in the license agreement referred to in paragraph 3 below.

(f) the attached Permitted Exceptions as described in Schedule D of the Contract of Sale entered into between the New York Racing Association, Inc. (NYRA) and the Port Authority dated December 10, 1992.

(g) the easement reserved by NYRA in the deed conveying the Property to the Port Authority on the area bounded and described as set forth in Exhibit C hereto.

2. The City, pursuant to the Air Terminals Lease, hereby accepts the conveyance from the Port Authority and leases the Property to the Port

Authority and the Port Authority, pursuant to the Air Terminals Lease, hereby leases the Property from the City for Air Terminals Uses.

3. The Port Authority and NYRA have entered into a license agreement (the "License Agreement") dated as of the date hereof, a copy of which has been provided to the City, permitting NYRA to use the Premises in accordance with the terms and conditions of the License Agreement. The Port Authority shall not amend or modify the License Agreement without the City's prior written consent which shall not be unreasonably withheld.

4. In the event the License Agreement terminates before the Port Authority has commenced use of the Property for Air Terminals Uses and the Port Authority does not plan to commence such use of the Property within six (6) months of such termination, the Port Authority shall, consistent with its plans for the Property, (i) diligently and continuously use such good faith efforts as the City and the Port Authority shall agree are appropriate to obtain other licensees to use the Property for interim uses under license agreements which will also obligate such new licensees to pay to the City payments in lieu of Taxes ("PILOT") in amounts to be determined by the City pursuant to such agreement as the City and the new licensee shall enter into; and (ii) provided the Port Authority has been unable to find a licensee to replace NYRA or any licensee subsequent to NYRA, the Port Authority shall negotiate in good faith with such person or entity as may be proposed by the City. The Port Authority shall not enter into a license agreement with any person unless the City, by its prior written consent, which consent shall not be unreasonably withheld, has (x) approved such person (in those instances where the Port Authority has proposed the licensee); and (y) approved the license agreement to be entered into (regardless of whether the Port Authority or the City has proposed the licensee in question). It shall be reasonable for the City to withhold its consent if, without limitation, the proposed licensee: (I) does not agree to pay PILOT in an amount equal to full taxes on the Property pursuant to an agreement substantially similar to the NYRA PILOT Agreement as hereinafter defined; or (ii) upon investigation, is revealed to be a "prohibited person" as such term is defined in Schedule I annexed hereto; or (iii) the proposed license agreement does not contain, without limitation, provisions which (aa) indemnify the City, and (bb) insure the City as an additional insured under the licensee's liability insurance policy, and (cc) require the City's consent for sub-licenses, which consent may be unreasonably withheld, and (dd) establish that an event of default under the PILOT agreement is an event of default under the license agreement, and (ee) upon the occurrence of the cross-default referred to in "dd" preceding, give the Port Authority the right to terminate the license agreement, eject the licensee from the Property, collect PILOT arrears, and enforce PILOT agreement obligations, and (ff) set forth a covenant on the part of the licensee to not violate, whether by action or inaction, the terms and conditions of the Air Terminals Lease, and (gg) provide for rights of revocation in the Port Authority which are consistent with the nature of a licensor-licensee relationship and (hh) prohibit certain dealings concerning South Africa (see

Schedule II annexed hereto), and (ii) prohibit certain dealings concerning Northern Ireland (see Schedule III annexed hereto). To the extent it has discretion, the Port Authority will not consent to subleases requested by Queens Inner Unity Cable Systems pursuant to the Cable Facilities Lease or sublicenses requested by the Barterama Corporation pursuant to the Barterama Agreement without the City's consent, which will not be unreasonably withheld. For purposes of this paragraph 4, the Port Authority will be deemed to have commenced use of the Property for Air Terminals Uses only when work required in connection with a project (including site preparation work) has actually begun on the Property, and not because design or other planning work has begun for a project at the Property.

5. Upon receipt of notice from the City that an "Event of Default" has occurred under that certain PILOT Agreement entered into between the City and NYRA, dated the date hereof (the "NYRA PILOT Agreement") or other subsequent PILOT agreements (as the case may be and as the term "Event of Default" is and shall be defined under such agreements), the Port Authority shall within thirty-five (35) days of the receipt of such notice, unless NYRA or other licensee (as the case may be) has cured such default within such 35-day period: (i) duly deliver a notice of termination to terminate the Licensee Agreement or other license agreement (as the case may be) and (ii) take legal action to eject NYRA or other licensee (as the case may be) from the Property once the applicable license agreement is terminated pursuant to such notice.

6. Until the Port Authority commences use of the Property for Air Terminals Uses as provided in paragraph 4 of this Agreement, the rent paid to the City by the Port Authority pursuant to the Air Terminals Lease shall remain undiminished by (i) the addition of the Property to the demise of the Air Terminals Lease, (ii) the expenditure by the Port Authority of any and all monies for the acquisition of the Property, and (iii) the expenditure by the Port Authority of any monies for the operation and maintenance of the Property, including but not limited to, the cost of the Port Authority's staff time, whether allocated or dedicated directly to the Property ("Operating Costs"); so that, and except as provided below for portions of the Property on which the Port Authority has from time to time commenced Air Terminals Uses (as provided in paragraph 4), rental shall be paid to the City as if the Property had not been added to the demise and as if the Port Authority had not made any expenditure whatsoever for the acquisition, operation or maintenance of the Property. Specifically, and without limiting the generality of the foregoing:

I. The Port Authority shall not take account of its acquisition costs for the Property in calculating Imputed Debt Service B as defined in paragraph 1 (H) of the Ninth Supplemental Agreement of the Air Terminals Lease for the Property for any period occurring prior to the Port Authority commencing use of the Property for Air Terminals Uses (as provided in paragraph 4) notwithstanding that the Port Authority would otherwise take account of such

costs; provided, however, that in the event commencement of such use occurs with respect to a portion of the Property, the Port Authority may take account, in calculating Imputed Debt Service B, such portion of the acquisition costs as may be proportionately allocated to the portion of the Property in question. The proportionate allocation shall equal the product obtained by multiplying the total acquisition cost of the Property by a fraction the numerator of which shall be the number of acres (rounded down to the nearest whole acre) in such portion of the Property so taken and the denominator of which shall be total acreage of the Property.

ll. In determining the amount of rent, additional or otherwise, owing to the City under the Air Terminals Lease for any rental period, the Port Authority shall not reduce the net amount to be paid to the City by deducting or offsetting Operating Costs expended by the Port Authority for, or on account of, or which may be attributable to the Property; provided, however, that in the event commencement of use of the Property for Airport Terminals Uses (as provided in paragraph 4) occurs with respect to a portion of the Property, the Port Authority may allocate a portion of the Operating Costs which are attributable to and/or proportionately allocable to the portion of the Property in question and then, take into such allocated and/or attributed portion of the Operating Costs in calculating the net rental amount owing to the City. Proportionate allocation shall be calculated in the same manner as hereinbefore applied to Imputed Debt Service B.

7. Notwithstanding anything to the contrary in paragraph 6 preceding, upon commencement of use of the Property (or any part thereof) for Air Terminals Uses (as provided in paragraph 4), the acquisition cost (of the Property) upon which the Port Authority calculates Imputed Debt Service B, shall be reduced by (i) the aggregate amount of license fees and other income, if any, previously received by the Port Authority from the Property less (ii) the aggregate amount of Operating Costs. If only a portion of the Property shall be used for such Air Terminals Uses, then in calculating proportionate allocation of Imputed Debt Service B for such portion, income from the Property shall also be proportionately allocated to the portion of the property in question.

8. The Port Authority shall notify the City with respect to commencing use of the Property or any portion thereof for Air Terminals Uses (as provided in paragraph 4), describing the reason for such action and the anticipated Air Terminals Uses.

9. Except to the extent prevented by applicable law, the Port Authority shall obtain a tax lot subdivision pursuant to which the Property is separated out of the tax lot of which it currently forms a part (Tax Lot 2, Block 11543, Queens County) within 12 months of the date hereof. The City recognizes that the Port Authority's ability to obtain such tax lot subdivision is dependent upon the performance by NYRA of its obligations with respect to

such subdivision as are contained in the PILOT Agreement.

10. No costs incurred by the Port Authority pursuant to obligations to be performed by the Port Authority under this Agreement shall be reimbursed by the City.

11. Except as modified herein, the Air Terminals Lease shall remain unmodified and in full force and effect.

12. This Agreement may be executed in separate counterparts.

IN WITNESS WHEREOF, the parties hereto have caused their corporate seals to be hereunto affixed and duly attested and this Agreement to be signed by their authorized officer the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By: Stanley Brezenoff
Stanley Brezenoff
Executive Director

ATTEST:

City Clerk

THE CITY OF NEW YORK

By: _____
Barry F. Sullivan, Deputy Mayor
For Finance and Economic
Development

Approved as to Form:

Acting Corporation Counsel

Approved as to Form:

General Counsel

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 10th day of December, 1992, before me personally came BARRY F. SULLIVAN, to me known and known to me to be the Deputy Mayor of The City of New York and the same person who executed the above instrument, and (s)he acknowledged that (s)he executed the foregoing instrument on behalf of The City of New YOrk as said Deputy Mayor pursuant to the authority vested in him/her.

Concetta Miele
Notary Public

CONCETTA MIELE
Commissioner of Deeds
City of New York - No. 2-7034
Certificate Filed in Kings County
Commission Expires April 1, 1993

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 11th day of December, 1992, before me personally came Carlos Cuevas, to me known and known to me to be the City Clerk of The City of New York, who, being by me duly sworn, did depose and say that he resides _____, that he is the City Clerk of The City of New York; the corporation described in and which executed the above instrument; that he knows the seal of said corporation, that the seal affixed to said instrument is such seal; that it was so affixed as provided by law, and that he signed his name thereto as City Clerk by like authority.

Margaret A. Temple
Notary Public

MARGARET A. TEMPLE
Commissioner of Deeds
City of New York - No. 1-5714
Certificate Filed in Manhattan County
Commission Expires Sept. 1, 1994

such subdivision as are contained in the PILOT Agreement.

10. No costs incurred by the Port Authority pursuant to obligations to be performed by the Port Authority under this Agreement shall be reimbursed by the City.

11. Except as modified herein, the Air Terminals Lease shall remain unmodified and in full force and effect.

12. This Agreement may be executed in separate counterparts.

IN WITNESS WHEREOF, the parties hereto have caused their corporate seals to be hereunto affixed and duly attested and this Agreement to be signed by their authorized officer the day and year first above written.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By: _____
Stanley Brezenoff
Executive Director

ATTEST:

THE CITY OF NEW YORK

_____
City Clerk

By: _____
Barry F. Sullivan, Deputy Mayor
For Finance and Economic Development

Approved as to Form:

Approved as to Form:

_____
Acting Corporation Counsel

_____
General Counsel

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

On this 10th day of December 1992, before me, the subscriber, personally appeared Stanley Brezenoff, Executive Director of The Port Authority of New York and New Jersey, with offices at One World Trade Center, 67 Floor, New York, New York, who I am satisfied is the person who has signed the within instrument and I, having first made known to him the contents thereof, he did acknowledge that he signed, ~~sealed with the corporate seal~~ and delivered the same as such officer aforesaid and that the within instrument is the voluntary act and deed of such corporation, made by virtue of the authority of the Board of Commissioners of The Port Authority of New York and New Jersey.

Lawrence W. Scheyer
Notary Public

LAWRENCE W. SCHEYER
Notary Public, State of New York
No. 31-4733435
Qualified in New York County
Commission Expires June 30, 1994

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 9th day of December, 1992, before me personally came LEN WASSERMAN, to me known and known to me to be the Acting Corporation Counsel of The City of New York, who, being by me duly sworn, did depose and say that he resides at 1 Ex. 1; that he is the Acting Corporation Counsel of The City of New York; the corporation described in and which executed the above instrument; that he knows the seal of said corporation, that the seal affixed to said instrument is such seal; that it was so affixed as provided by law, and that he signed his name thereto as Acting Corporation Counsel by like authority.

Richard E. Marshall
Notary Public

RICHARD E. MARSHALL
Notary Public, State of New York
No. 4912173
Qualified in New York County
Commission Expires January 4, 1994

Southeasterly along a curve having a radius of 530 feet, a distance of 53.85 feet to a point of tangency.
South 50°-31'-44" East 46.47 feet to a point of curve.
Southeasterly along a curve having a radius of 140 feet, a distance of 39.06 feet to a point of tangency.
South 66°-30'-47" East 153.69 feet to a point of curve
Southeasterly along a curve having a radius of 640 feet, a distance of 369.15 feet to a point of tangency.
North 80°-26'-21" East 280 feet to a point of curve.
Southeasterly along a curve having a radius of 104 feet, a distance of 119.82 feet to a point of compound curve.
Southeasterly along a curve having a radius of 310 feet, a distance of 130.55 feet to a point of tangency.
South 09°-25'-24" East 228.45 feet
South 08°-59'-31" East 269.03 feet
South 01°-28'-49" East 153.78 feet to the point of place of beginning.

together with the structure shown in cross-hatching on the attached Schedule B-1

Exhibit A

Port Authority Property Line

Area = 1,131,352.78 square feet, 25.97 acres.

All that certain plot, piece or parcel of land lying and being in the borough of Queens, City and State of New York bounded and described as follows:

Beginning at a point on the Northerly side of North Conduit Avenue, said point being the following courses and distances from the corner formed by the intersection of the Northerly side of North Conduit Avenue and the Westerly side of 114 Street (60 feet wide).

South 59°-31'-52" West 298.32 feet
South 64°-52'-32" West 337.76 feet to a point of curve
Southwesterly along the Northerly side of North Conduit Avenue as it curves having a radius of 1375.30 feet a distance of 176.28 feet to said point of BEGINNING.

Thence Southwesterly along the Northerly side of North Conduit along a curve having a radius of 1375.30 feet a distance of 223.49 feet to a point of tangency.

Thence the following courses and distances along the Northerly side of North Conduit Avenue:

South 81°-31'-49" West 151.31 feet
South 79°-25'-12" West 149.59 feet
South 80°-38'-48" West 112.62 feet to the Easterly side of the land of the Long Island Rail Road.

Thence the following courses and distances along the Easterly side of the land of the Long Island Rail Road:

North 12°-11'-48" West 0.83 feet
North 49°-16'-48" West 33.17 feet
North 12°-11'-48" West 8.29 feet
North 49°-16'-48" West 1248.25 feet
North 45°-49'-23" West 165.84 feet
North 44°-15'-09" West 62.04 feet to a point.

Thence the following courses and distances:

North 45°-44'-51" East 50.64 feet
North 28°-15'-57" East 85.50 feet
North 72°-38'-36" East 216.88 feet
South 17°-21'-24" East 22.30 feet
North 72°-44'-21" East 174.62 feet
North 00°-12'-35" East 20.27 feet to a point on a curve.
Southeasterly along a curve having a radius of 70 feet, 57.62 feet to a point of tangency.
South 42°-37'-34" East 55.00 feet
South 44°-42'-27" East 131.85 feet to a point of curve.

Exhibit B

Easement to Port Authority

Area = 85,005.33 square feet, 1.95 acres.

All that certain plot, piece or parcel of land lying and being in the borough of Queens, City and State of New York bounded and described as follows:

Beginning at a point on the Northerly side of North Conduit Avenue, said point being the following courses and distances from the corner formed by the intersection of the Northerly side of North Conduit Avenue and the Westerly side of 114 Street (60 feet wide).

South 59°-31'-52" West 298.32 feet
South 64°-52'-32" West 337.76 feet to a point of curve
Southwesterly along the Northerly side of North Conduit Avenue as it curves having a radius of 1375.30 feet a distance of 176.28 feet to said point of BEGINNING.

Running thence the following courses and distances:

North 01°-28'-49" West 153.78 feet
North 08°-59'-31" West 269.03 feet
North 09°-25'-24" West 228.45 feet to a point of curve
Northwesterly along a curve having a radius of 310 feet a distance of 130.55 feet to a point of compound curve.
Northwesterly along a curve having a radius of 104 feet a distance of 119.82 feet to a point of tangency.
South 80°-26'-21" West 280 feet to a point of curve.
Northwesterly along a curve having a radius of 640 feet a distance of 369.15 feet to a point of tangency.
North 66°-30'-47" West 153.69 feet to a point of curve.
Northwesterly along a curve having a radius of 140 feet a distance of 39.06 feet to a point of tangency.
North 50°-31'-44" West 46.47 feet to a point of curve.
Northwesterly along a curve having a radius of 530 feet a distance of 53.85 feet to a point of tangency.
North 44°-42'-27" West 131.85 feet
North 42°-37'-34" West 55 feet to a point of curve.
Northwesterly along a curve having a radius of 70 feet a distance of 57.62 feet to a point.
South 00°-12'-35" West 20.27 feet
South 72°-44'-21" West 174.62 feet
North 17°-21'-24" West 22.30 feet
South 72°-38'-36" West 216.88 feet
South 28°-15'-57" West 85.50 feet
South 45°-44'-51" West 50.64 feet
North 44°-15'-09" West 17.86 feet
North 45°-44'-51" East 24.11 feet
North 28°-15'-57" East 115.64 feet
North 72°-38'-36" East 386.70 feet to a point of curve.
Southeasterly along a curve having a radius of 95 feet a distance of 107.33 feet to a point of tangency.

Schedule D

Permitted Exceptions

(1) Taxes, tax liens, tax sales, water rates, sewer rents and assessments not yet due and payable.

(2) Any state of facts shown on the survey of the Conveyance Parcel by Erlandsen-Crowell & Shaw dated December 1, 1992.

(3) Deed recorded in Liber 6815 page 100.

(4) Sewer Declaration in Liber 5178 page 223

(5) Agreement recorded in Liber 5140 page 373.

(6) Water Agreement recorded in Liber 5703 page 650.

(7) Water Agreement recorded in Liber 4108 page 427.

(8) Sewer Agreement recorded in Liber 2172 cp. 85.

(9) Declaration regarding maintenance of storm drain recorded in Liber 7010 cp. 594.

(10) The Cable Facilities Lease.

(11) The Parking Lot License.

(12) The Barterama Agreement.

South 42°-37'-34" East 54.55 feet
South 44°-42'-27" East 131.39 feet to a point of curve
Southeasterly along a curve having a radius of 505 feet a distance of 51.31 feet to a point of tangency.
South 50°-31'-44" East 46.47 feet to a point of curve.
Southeasterly along a curve having a radius of 115 feet a distance of 32.08 feet to a point of tangency.
South 66°-30'-47" East 153.69 feet to a point of curve
Southeasterly along a curve having a radius of 615 feet a distance of 354.73 feet to a point of tangency.
North 80°-26'-21" East 280 feet to a point of curve.
Southeasterly along a curve having a radius of 129 feet a distance of 148.62 feet to a point of compound curve.
Southeasterly along a curve having a radius of 335 feet a distance of 141.07 feet to a point of tangency.
South 09°-25'-24" East 228.54 feet
South 10°-02'-30" East 180.75 feet to a point of curve.
Southeasterly along a curve having a radius of 130 feet a distance of 100 feet to a point of compound curve.
Southeasterly along a curve having a radius of 154 feet a distance of 60.36 feet to a point.
South 19°-44'-18" East 86.81 feet to the Northerly side of North Conduit Avenue.
Southwesterly along the Northerly side of North Conduit Avenue as it curves having a radius of 1375.30 feet a distance of 156.31 feet to the point or place of beginning.

RECEIVED
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MANAGERS OFFICE
N.Y. MARINE TERMINALS

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

October 27, 1994 Policy Number: 035-P10-17-94

MEMORANDUM OF JUSTIFICATION

TO: Stanley Brezenoff, Executive Director
FROM: Lillian C. Liburdi, Director, Port Department
DATE: October 31, 1994
SUBJECT: NEW YORK CITY PASSENGER SHIP TERMINAL, PIERS 40, 88, 90, 92 AND 94 - OPERATIONS AND MAINTENANCE AGREEMENT

COPY: G. Arcus (34W), F. Caggiano (34S), J. Collura (63W), R. Doggett (63E), L. Foster (34S), G. Gill (82W), V. Goldstein (67W), J. Green (67E), A. Karvasarsky (67N), V. Kelly (34S), P. Keough (34S), J. Malone (PN-25), C. McClafferty (28E), J. Savage (34S), A. Shorris (67W), A. Van Tol (BP-35), B. Weintrob (67E1)

Recommendation:	That the Executive Director authorize a) the Director, General Services Department to award a contract to Tri-Maintenance & Contractors, Inc., for operation and maintenance services at the New York City Passenger Ship Terminal, Piers 40, 88, 90, 92 and 94, for a period of two years and, at her discretion, to extend the contract for two additional one-year periods; b) the Director, General Services Department, at her discretion and as necessary, to authorize CPI, Waterfront Commission, and New York Shipping Association adjustments in the contract charges as required; and c) the Director, Port Department, to order extra work not to exceed 10% of the basic contract price and 10% of the price applicable in the reneval year.
Type of Action:	Maintenance Service Contract.
Reason for Action:	To provide supervision, labor, materials and equipment to operate and maintain the New York City Passenger Ship Terminal.
Relationship to Capital Authorization Process:	Not applicable.
Background:	The Board, at its meeting on May 13, 1971, approved the terms and conditions under which the Port Authority would participate in the construction and operation of the Passenger Ship Terminal. Under an agreement with the City of New York, the agreement authorized the expenditure of

funds for operation, maintenance and security of the terminal. With the new two-year lease extension negotiated with the City of New York, these functions must continue for that additional period.

Scope of Work: To provide all necessary supervision, personnel, equipment, transportation and other related items to operate and maintain the facility, including the operation and maintenance of the heating, air conditioning, mechanical and fire protection systems. Snow removal will also be provided.

Expected Impacts: No adverse impacts are anticipated.

Expected Duration of Contract:
Start: 12/1/94 End: 11/30/96
Number of Renewals: two
Renewal/Years: one year periods

Name and Address of Firm:
Tri-Maintenance & Contractors, Inc.
81 Dorsa Avenue
Livingston, New Jersey 07039

Selection Process: Public advertisement; award to lowest qualified bidder.

Reason Selected Over Others: Lowest qualified bidder.

Bid Array: The following bids were received on 10/14/94:

Tri-Maintenance & Contractors, Inc.	$2,953,571.30
Temco	$2,961,398.52
Shifa Services, Inc.	$3,098,073.60
EMS Services	$3,283,599.80
Triangle Services	$3,678,959.80

Staff Estimate: $3.5 million for the initial contract period.

Minority Participation: Due to the nature of this contract, no subcontracting opportunities are anticipated.

Basic Contract Terms:

Proposal Number:	#34021
Contract Amount:	$2,953,571.30
Extra Work Allowance:	10%
Total:	$3,248,928.43
Amount To Be Spent in 1994:	$270,745

Escalation:	Escalation of the labor related components of the contractor's hourly rate, during the initial term and reneval period, will be based on changes in applicable union agreements and in the Waterfront Commissions' assessment as set forth in the contract. Non-labor related components will be adjusted in the reneval period based on changes in the Consumer Price Index.
Comments:	The current contract, held by Shifa Services, Inc., will expire on November 30, 1994.
Budget Status:	Funds are available in the 1994 Budget and will be included in future years' budgets.
Authorization Mechanism:	Budget Resolution.
Accounting Charge Code:	P10 - 274 - 036 - 625 - Obj. 12 P10 - 274 - 080 - 615 - Obj. 12

Requesting Department: for [signature] Director, Port Department Date: 11/1/94

Authorizing Signature: for Kathy MacKay Executive Director Date: 11/2/94

TWELFTH SUPPLEMENTAL AGREEMENT, made as of the 27th day of June, 1994 between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "the City", and THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by compact between the States of New York and New Jersey with the consent of Congress, hereinafter called "the Port Authority."

WITNESSETH:

WHEREAS, under the date of April 17, 1947, the City and the Port Authority entered into an Agreement With Respect to Municipal Air Terminals, (hereinafter referred to as the "Original Agreement"), providing for the improvement, development, operation and maintenance of John F. Kennedy International Airport and LaGuardia Airport by the Port Authority; and

WHEREAS, under dates of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960, August 24, 1965, December 21, 1965, December 12, 1968, February 18, 1982, September 30, 1983 and December 11, 1992, the City and the Port Authority have duly amended, extended, supplemented and modified said Original Agreement; and

WHEREAS, the City wishes to lease to the Port Authority and the Port Authority wishes to let from the City certain additional real property adjacent to LaGuardia Airport for the purposes set forth herein.

NOW, THEREFORE, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns, that said Original Agreement, as previously amended, extended, supplemented and modified shall be and it is hereby further amended, supplemented and modified as follows:

Section One The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City for use as an aircraft runway overrun area, the additional real property owned by the City more specifically described below, to have and to hold unto the Port Authority from the date of this Twelfth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in said Original Agreement as previously amended, extended, supplemented and modified:

ALL that lot, piece or parcel of land, with buildings and improvements, if any, thereon, situate in the Borough and County of Queens, City and State of New York, bounded and described as follows:

BEGINNING at a point in the easterly boundary line of LaGuardia Airport having a coordinate value of South 26,876.993 feet and East 31,340.163 feet formed by the intersection of the first and second courses of a parcel of land demised to The Port Authority of New York and New Jersey by the City of New York on September 30, 1983 by the Tenth Supplemental Agreement, recorded in the New York City Register's Office for Queens County on March 12, 1984 in Reel 1650 at page 632 and running:

1. South 78°-43'-31" East a distance of 450.00 feet along said easterly boundary line to a point having a coordinate value of South 26,964.974 feet and East 31,781.478 feet; thence

2. North 18°-27'-15" East a distance of 20.773 feet departing from said easterly boundary line to a point having a coordinate value of South 26,945.270 feet and East 31,788.054 feet; thence

3. South 86°-41'-13" East a distance of 220.00 feet to a point having a coordinate value of South 26,957.984 feet and East 32,007.686 feet; thence

4. North 18°-27'-15" East a distance of 258.99 feet to a point having a coordinate value of South 26, 712.311 feet and East 32,089.669 feet; thence

5. North 86°-41'-13" West a distance of 220.00 feet to a point having a coordinate value of South 26,699.597 feet and East 31,870.036 feet; thence

6. North 18°-27'-15" East a distance of 360.199 feet to a point having a coordinate value of South 26,357.921 feet and East 31,984.055 feet; thence

7. North 3°-05'-15" East a distance of 800.00 feet to a point having a coordinate value of South 25,559.082 feet and East 32,027.144 feet; thence

8. North 50°-30'-13" West a distance of 298.209 feet to a point having a coordinate value of South 25,369.412 feet and East 31,797.026 feet; thence

9. North 86°-54'-45" West a distance of 750.00 feet to a point having a coordinate value of South 25,329.016 feet and East 31,048.115 feet; thence

10. South 38°-44'-34" West a distance of 283.064 feet to a point in the original boundary line of land demised to The Port Authority of New York and New Jersey by the City of New York in an Agreement with respect to Municipal Air Terminals, dated April 17, 1947 and recorded in the New York City Register's Office for Queens County on May 22, 1947 in Liber 5402 of conveyance at page 319 and having a coordinate value of South 25,549.796 feet and East 30,870.966 feet; thence

11. South 86°-54'-45" East a distance of 340.00 feet along said boundary line to a point of curvature having a coordinate value of South 25,568.109 feet and East 31,210.473 feet; thence

12. Easterly, southeasterly and southerly along said boundary line of LaGuardia Airport and along the arc of a circle, having a radius of 200.00 feet, a central angle of 90°-00'-00" and an arc length of 314.159 feet to a point of tangency having a coordinate value of South 25,778.590 feet and East 31,399.410 feet; thence

13. South 3°-05'-15" West along said boundary line a distance of 1100.00 feet to the point and place of beginning.

The coordinates and bearings mentioned in the description hereinabove refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid North being 28°-59'-13.5" East of true North.

Section Two. Except as hereinabove provided, all of the terms, conditions, covenants and agreements of the Original Agreement, as the same has been previously amended, extended, supplemented and modified, shall be and remain in full force and effect.

Section Three. No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Twelfth Supplemental Agreement, or because of its execution or attempted execution or because of any breach or alleged breach thereof.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Executive Director, as of the day and year first above written.

ATTEST:

City Clerk

THE CITY OF NEW YORK

Deputy Mayor for Operations

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Executive Director

Approved as to Form:

Acting Corporation Counsel

Approved as to Form:

General Counsel

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 13th day of June, 1994, before me personally came and appeared Stanley Brezenoff to me known, who being by me duly sworn, did depose that he is the Executive Director of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY and that he signed his name thereto by like order.

Karen E Eastman

KAREN E. EASTMAN
Notary Public, State of New York
No. 4766314
Qualified in New York County
Commission Expires February 28, 1995

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 21st day of June, 1994, before me personally came Peter J. Powers to me known and known to me to be the Dep Mayor for Operations of the City of New York and the same person who executed the foregoing instrument and he acknowledged that he executed the foregoing instrument on behalf of the City of New York in his official capacity pursuant to the authority vested in him by Executive Order.

RICHARD E. MARSHALL
Notary Public, State of New York
No. 4912173
Qualified in New York County
Commission Expires January 4, 1996

TENTH SUPPLEMENTAL AGREEMENT, made as of the 30th day of September, 1983 between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "the City", and THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called "the Port Authority."

WITNESSETH:

WHEREAS, under date of April 17, 1947, the City and the Port Authority entered into an Agreement With Respect to Municipal Air Terminals, (hereinafter referred to as the "Original Agreement"), providing for the improvement, development, operation and maintenance of John F. Kennedy International Airport and LaGuardia Airport by the Port Authority; and

WHEREAS, under dates of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960, August 24, 1965, December 21, 1965, December 12, 1968 and February 18, 1982, the City and the Port Authority have duly amended, extended, supplemented and modified said Original Agreement; and

WHEREAS, it was contemplated and intended by the Ninth Supplemental Agreement to the Original Agreement (dated February 18, 1982) that additional land adjacent to LaGuardia Airport be demised to the Port Authority by the City on terms and conditions as more specifically therein set forth, upon completion of legally required governmental approvals including but not limited to the Board of Estimate; and

WHEREAS, such governmental approvals have now been completed and the Board of Estimate by resolution duly adopted on July 21, 1983 has authorized the execution and delivery of this Agreement (Calendar #310).

NOW, THEREFORE, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns, that said Original Agreement, as previously amended, extended, supplemented and modified shall be and it is hereby further amended, supplemented and modified as follows:

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

On this 28th day of June, 1994, before me personally came Carlos Cuevas with whom I am personally acquainted and known to me to be the City Clerk of the City of New York, being by me duly sworn, deposes and says: that he is the City Clerk of the City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation that the seal affixed to said instrument is such corporate seal; that it was so affixed as provided by law; and that he signed his name thereto as City Clerk by like authority.

Marianne Snow

MARIANNE SNOW
Commissioner of Deeds
City of New York - No. 2-9898
Certificate filed in New York County
Commission Expires April 1, 1995

1. The City hereby demises and leases to the Port Authority and the Port Authority does hereby hire and take from the City for parking purposes, which use shall include grading, black topping, fencing and lighting of the uplands contained therein, the additional land owned by the City more specifically described below, to have and to hold unto the Port Authority from the date of this Tenth Supplemental Agreement until the expiration or sooner termination of the Original Agreement, subject to all of the terms, covenants and conditions set forth in said Original Agreement as previously amended, extended, supplemented and modified including as modified by aforesaid Ninth Supplemental Agreement:

BEGINNING at a point in the easterly boundary of a parcel of land demised to the Port Authority by the City, by Agreement entitled: "Agreement with Respect to Municipal Air Terminals" dated April 17, 1947, recorded in the Office of the New York City Register, Queens County on May 22, 1947 in Liber 5402, Page 319, etc. of conveyances, as amended and supplemented by the "Eighth Supplemental Agreement" with respect to Municipal Air Terminals thereto dated December 12, 1968 recorded July 23, 1969 in Reel 339 at pages 46 through 68, and described by metes and bounds in paragraph III therein at pages 9 and 10, said point having the coordinate values of South 28,053.834 and East 31,105.546 thence: (1) North 11°-16'-29.13" East along said boundary, a distance of 1200.00 feet to a point having the coordinate values of South 26,876.993 and East 31,340.163; thence (2) South 78°-43'-30.87" East a distance of 450.000 feet to a point having the coordinate value of South 26,964.974 and East 31,781.478; thence (3) South 11°-16'-29.13" West a distance of 1100.000 feet to a point having the coordinate value of South 28,043.745 and East 31,566.413; thence (4) South 88°-44'-45.42" West a distance of 460.98 feet to the point and place of beginning.

The coordinates and bearings mentioned in the description hereinabove refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid North being 28°-59'-13.5" East of true North.

RESERVING to the City and the United States Army Corps of Engineers or its successors in duties a right of escorted access at all times by the Port Authority for vehicles and pedestrians through the aforesaid described lands to the uplands owned by the City abutting, lying and

being situate southeast of LaGuardia Airport. In addition the Port Authority shall maintain the paved pedestrian walkway, four feet in width, constructed by the Port Authority on said uplands to its southeasterly terminus in Flushing Bay.

2. Except as hereinabove provided, all of the terms, conditions, covenants and agreements of the Original Indenture, as the same has been previously amended, extended, supplemented and modified, shall be and remain in full force and effect.

3. No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Tenth Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Deputy Mayor; and the Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Assistant Executive Director, as of the day and year first above written.

ATTEST:

City Clerk

THE CITY OF NEW YORK

Deputy Mayor

ATTEST:

~~Secretary~~ Comptroller

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Assistant Executive Director

Approved as to Form:

(Acting Corporation Counsel)

Approved as to Form:

Harry K. Barr
for General Counsel

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 15th day of September, 1983, before me personally came and appeared ROBERT F. BENNETT, to me known, who being by me duly sworn, did depose and say that he resides at Ex. 1 [illegible]th Street, New York, New York 10011; that he is the Assistant Executive Director of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY and that he signed his name thereto by like order.

Harry Kyle Barr, III

HARRY KYLE BARR, III
NOTARY PUBLIC, STATE OF NEW YORK
No. 31—0169855
Qualified in New York County
Commission Expires March 30, 1985

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 30 day of Sept, 1983 before me personally came Nathan Leventhal to me known and known to me to be the Deputy Mayor of the City of New York and the same person who executed the foregoing instrument and he acknowledged that the executed the foregoing instrument on behalf of the City of New York in his official capacity pursuant to the authority vested in him by resolution of the Board of Estimate, date and calendar number set forth in the within instrument.

ALFRED J. [illegible], JR
Notary Public, State of New York
No. [illegible]
Qualified in Queens County
Commission Expires March 30, 1984

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 4th day of October, 1983, before me personally came DAVID N. DINKINS with whom I am personally acquainted and known to me to be the City Clerk of the City of New York, being by me duly sworn, deposes and says: that he resides at Ex. 1 , New York, New York 10032; that he is the City Clerk of the City of New York, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation that the seal affixed to said instrument is such corporate seal; that it was so affixed as provided by law; and that he signed his name thereto as City Clerk by like authority.

Raquel E. Vidal

RAQUEL E. VIDAL
Commissioner of Deeds
City of New York - No. 4-2693
Certificate Filed in New York County
Commission Expires October 1, 1984

NYCS 2181

NINTH SUPPLEMENTAL AGREEMENT made as of the 1st day of January, 1979 between THE CITY OF NEW YORK, a New York municipal corporation, hereinafter called "the City", and THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by Compact between the States of New York and New Jersey with the consent of Congress, hereinafter called "the Port Authority."

WITNESSETH:

WHEREAS, under date of April 17, 1947 the City and the Port Authority entered into an Agreement With Respect to Municipal Air Terminals, (hereinafter referred to as the "Original Agreement"), providing for the improvement, development, operation and maintenance of John F. Kennedy International Airport and La Guardia Airport by the Port Authority; and

WHEREAS, under dates of May 26, 1949, November 7, 1952, May 28, 1956, November 6, 1958, October 3, 1960, August 24, 1965, December 21, 1965 and December 12, 1968, the City and the Port Authority have duly amended, extended, supplemented and modified said Original Agreement; and

WHEREAS, the City and the Port Authority are agreed that revisions in certain of the provisions of the Original Agreement, as previously amended, extended, supplemented and modified, will be in the public interest, and that the continued improvement, development, operation and maintenance of said airports will be facilitated thereby;

NOW, THEREFORE, the City and the Port Authority hereby mutually undertake, promise and agree, each for itself and its successors and assigns, that said Original Agreement, as previously amended, extended, supplemented and modified shall be and it hereby is further amended, supplemented and modified as follows:

1. DEFINITIONS

(a) Section 1 of the Original Agreement as previously amended in the Seventh Supplemental Agreement is hereby further amended by striking Section 1 of the Seventh Supplemental Agreement out in its entirety and by substituting therefore the following:

A. "Current year." The calendar year for which the rent is being computed.

B. "Annual net revenue." The difference between:

(a) the gross revenue of the current year; and

(b) the sum of the following: (1) operation and maintenance expense of the current year; (2) general and administrative expense of the current year; (3) imputed debt service of the current year; and (4) imputed debt service factor of the current year for years commencing with the current year 1985.

C. (1) "Gross revenue." Through December 31, 1982 all income and revenue of any nature whatsoever including debt service upon underlying mortgage bonds as said term is used in the Consolidated Bond Resolution adopted by the Port Authority on October 9, 1952 (Special Project Bonds), derived by the Port Authority, in any manner whatsoever, or from any source whatsoever, from or in connection with the operation of the municipal air terminals, (including, without limiting the generality of the foregoing, net earnings derived from the investment of municipal air terminal operating funds) except the proceeds of bonds and notes and interest earned on capital funds.

(2) "Gross revenue." Commencing with the current year 1983, all income and revenue of any nature whatsoever including debt service upon underlying mortgage bonds as aforesaid, derived by the Port Authority, in any manner whatsoever, or from any source whatsoever, from or in connection with the operation of the municipal air terminals. Net earnings derived from the investment of municipal air terminal operating funds and the proceeds of bonds and notes and interest earned on capital funds shall not be a part of gross revenue.

D. "Operation and maintenance expense." The expense of the Port Authority which is directly attributable to the operation and maintenance of the municipal air terminals during the current year including debt service upon underlying mortgage bonds as aforesaid (other than the rent payable to the City by the Port Authority for the demised premises and general and administrative expense). No deduction, allowance or provision for depreciation, except for automotive equipment and equipment ancillary thereto, is to be included in the operation and maintenance expense.

E. "General and administrative expense." A sum equal to fifteen percent (15%) of the operation and maintenance expense excluding debt service upon underlying mortgage bonds as aforesaid, but commencing with the current year 1981, a sum equal to fourteen and one-half percent (14-1/2%) of the operation and maintenance expense excluding debt service upon underlying mortgage bonds as aforesaid.

F. "Imputed debt service." The sum of imputed debt service A and imputed debt service B.

G. "Imputed debt service A." The sum of:

(a) the unamortized debt component (computed by multiplying the unamortized debt as of January 1, 1981, to be determined by starting with the unamortized debt as of January 1, 1980 in the amount of $316,334,825.68, deducting the amortization of $42,377,722.69 for the calendar year 1980, and adding the difference between the amount of capital transferred to completed construction in the calendar year 1980 and the federal aid transferred to completed construction in said calendar year 1980, as said unamortized debt is thereafter reduced as hereinafter provided, by the amortization factor for the current year) and

(b) the capital replacement component (computed by multiplying the value of the plant in service on January 1, 1981, to be determined by starting with the value of the plant in service on January 1, 1980 in the amount of $884,206,842.00, and adding the difference between the capital amount of transfers to completed construction in the calendar year 1980 and the capital expenditures related to properties retired in said calendar year 1980, as said plant in service is thereafter reduced as hereinafter provided, by the replacement factor for the current year).

The unamortized debt for the purpose of computing imputed debt service A shall be the unamortized debt as of January 1 of the calendar year immediately preceding the current year less the amount constituting the difference between (aa) imputed debt service A for such preceding calendar year and (bb) the interest for such preceding calendar year (computed by multiplying the unamortized debt as of January 1 of the preceding calendar year by the current interest rate for such preceding calendar year). The value of the plant in service for the purpose of computing imputed debt service A shall be reduced each year commencing with calendar year 1982 by the capital expenditures related to the properties retired during the preceding calendar year. The computation of the unamortized debt component for imputed debt service A will cease and expire in the current year in which the unamortized debt reaches zero or in the calendar year 2015, whichever is earlier. The computation of the capital replacement component for imputed debt service A will cease and expire in the current year in which the value of the plant in service reaches zero or in the calendar year 2015, whichever is earlier. There will be no increase in the unamortized debt or in the plant in service with respect to imputed debt service A from the amounts fixed as of January 1, 1981. As to all retired properties hereunder, said term shall mean properties which were transferred to completed construction during any year prior to January 1 of the calendar year 1981.

H. "Imputed debt service B." Imputed debt service B shall commence with the current year 1982 and shall be the sum of all Imputed Debt Service B Annual Amounts. The Imputed Debt Service B Annual Amount (the IDSB Annual Amount) for each year will be the sum of:

(a) its unamortized debt component (computed by multiplying the unamortized debt applicable to the IDSB Annual Amount as of January 1 of the current year by the amortization factor for such year) and

(b) its capital replacement component (computed by multiplying the value of the plant in service applicable to the IDSB Annual Amount on January 1 for the current year by the replacement factor for the current year).

Notwithstanding the method of computing imputed debt service B, as hereinabove defined, the capital replacement component shall be omitted in computing imputed debt service B for the last current year (calendar year 2015) of the lease, and the actual amount of capital transferred to completed construction during the calendar year 2015, less Federal aid received during the calendar year 2015, shall be used in lieu thereof. Moreover there will be no computation with respect to any IDSB Annual Amount of imputed debt service B of the unamortized debt component for any current year in which the unamortized debt applicable to said IDSB Annual Amount as of January 1 of said current year is zero.

With respect to Imputed Debt Service B, for the purpose of computing the 1982 IDSB Annual Amount, as of January 1, 1982 unamortized debt shall be the difference between the amount of capital transferred to completed construction in the preceding calendar year and the amount of federal aid transferred to completed construction in such preceding calendar year, and for each current year thereafter the unamortized debt for the 1982 IDSB Annual Amount shall be the difference between

(1) its unamortized debt as of January 1 of the calendar year immediately preceding the current year and

(2) the amount constituting the difference between (aa) its IDSB Annual Amount for such preceding year and (bb) the interest for such preceding calendar year (computed by multiplying its unamortized debt as of January 1 of the preceding calendar year by its interest rate, which will be the current interest rate for the current year 1982 as determined in accordance with the provisions of K(2) hereof.

With respect to imputed debt service B, for the purpose of computing the 1982 IDSB Annual Amount, as of January 1, 1982 the value of the plant in service shall be the amount of the capital amount transferred to completed construction in the preceding calendar year (hereinafter referred to as the "1982 transferred amount") and for each current year thereafter the value of the plant in service for the 1982 IDSB Annual Amount shall be the 1982 transferred amount less the amount of retired properties. "Retired properties" shall mean the amount of the capital expenditures related to the properties retired during such preceding year, with said amount to be applied chronologically to the earliest IDSB Annual Amount and without regard to the nature or date of the transferred amount. As to all retired properties hereunder, said term shall mean properties which were transferred to completed construction during any year subsequent to January 1 of the calendar year 1981.

Computations similar to the one as set forth for the 1982 IDSB Annual Amount will be made in like manner with respect to all subsequent IDSB Annual Amounts, the sum of all such IDSB Annual Amounts constituting imputed debt service B for each current year.

As used in this lease, the term "plant in service" shall not include automotive equipment or equipment ancillary thereto.

I. "Amortization factor." The appropriate annual factor to be applied to the unamortized debt as of the beginning of the current year listed in Table I under the rate of current interest established for that year. With respect to imputed debt service A and in determining the "Leasehold Term Remaining" the unexpired term of the lease shall be determined on the basis of an expiration date of 2015. With respect to imputed debt service B, in determining the "Leasehold Term Remaining" the unexpired term of the lease shall be determined on the basis of the expiration date of 2015. As set forth in Table I, the Leasehold Term Remaining for the current year 1979 is 37.

J. "Replacement Factor." As to imputed debt service A, the appropriate annual factor to be applied to the value of the plant in service as of the beginning of the current year listed in Table II under the rate of current interest established for that year. As to

imputed debt service B, the appropriate annual factor to be applied to the value of the plant in service as of the beginning of the current year listed in Table II under the rate of current interest established for that year. With respect to imputed debt service A, in determining the "Leasehold Term Remaining" the unexpired term of the lease shall be determined on the basis of an expiration date of 2015. With respect to imputed debt service B, in determining the "Leasehold Term Remaining" the unexpired term of the lease shall be determined on the basis of the expiration date of 2015. As set forth in Table I, the Leasehold Term Remaining for the current year 1979 is 37.

K. (1) "Current interest rate." With respect to imputed debt Service A, effective as of the current year 1981 ten and one-half percent (10-1/2%) or the product (rounded off to the nearest eighth of one percent) arrived at by multiplying the average of the weekly indices as reported in the "Daily Bond Buyer" under their "20 Bond Index" during the calendar year preceding the current year by the appropriate factor indicated below, whichever is lower:

Rating of Port Authority Bonds (Moody's)	Rating of Port Authority Bonds (Standard & Poor's)	Factor
Aa	AA	1.09
A	A	1.14
Baa or lower	BBB or lower	1.21

(2) "Current interest rate." With respect to imputed debt service B, the product (rounded off to the nearest eighth of one percent) arrived at by multiplying the average of the weekly indices as reported in the "Daily Bond Buyer" under their "20 Bond Index" during the two calendar years immediately preceding the current year by the factor of 1.09.

(3) The average of the weekly indices will be rounded off to the nearest .01. If the average before rounding happens to fall at the exact midpoint between two successive 1/100's, it shall be rounded down on the first such occurrence, then up and down alternately on successive occurrences. Similarly, should the product of the average index and the appropriate factor result

in a number at the exact midpoint between two successive eighths of one percent, it shall be rounded down on the first such occurrence, then up and down alternately on successive occurrences.

L. "Rating of Port Authority bonds" shall be the lower rating of the municipal bond ratings supplied by "Moody's Investors Service, Inc." or "Standard & Poor's Corp." of those Port Authority bond issues (other than Port Authority bonds guaranteed by any other government body) for which the Port Authority received and accepted bids during the calendar year preceding the current year. If the bond issues sold during that year do not all have the same rating, then the factor to be used shall be the average (rounded to the nearest .01) of the factors corresponding to the rating of said bond issues at the time of acceptance of bids, weighted in accordance with the principal amounts of said bond issues. In the event that there are no bond issues in the calendar year preceding the current year, then the rating of bond issues of the last previous calendar year prior thereto in which the Port Authority received and accepted bids on any bond issue shall be deemed the rating of the bond issues during the calendar year preceding the current year. The foregoing applies only to imputed debt service A.

In the event that the "Daily Bond Buyer" or their "20 Bond Index" or "Moody's Investors Service, Inc." or "Standard & Poor's Corp." or the rating of Port Authority bonds by said Moody's Investors Service, Inc. or Standard and Poor's Corp. shall be discontinued during the term of this agreement, a comparable substitute for such discontinued element shall be mutually agreed upon in writing by the City and the Port Authority within thirty (30) days after such discontinuance. In the event that the parties shall fail to agree upon such a substitute within the time hereinabove specified, the question shall be submitted to three experts in this field recommended by the American Arbitration Association and selected as follows: each of the parties to this agreement, within thirty (30) days after the expiration of the period hereinabove specified for reaching agreement upon a substitute for such discontinued element, shall designate one such expert recommended by the American Arbitration Association and the two experts thus chosen shall, within fifteen (15) days after both have been designated, designate

a third expert having the recommendation of such Association. The determination of a majority of said three experts shall be final and binding upon the parties hereto and the parties hereto agree to be bound by such determination provided that such determination shall be made in writing within forty-five (45) days next after the subsubmission to them of the question, or on or before any later date to which the said experts, by any writing signed by a majority of them shall enlarge the time for making such determination.

M. "Imputed debt service factor." A sum equal to thirty (30) per cent (30%) of imputed debt service.

N. "Airports investment." All amounts expended, directly or indirectly, or costs incurred, directly or indirectly, for, in connection with or related to the construction, rehabilitation, expansion, improvement or development of or related to the Municipal Air Terminals whether or not any of the foregoing is located on said Air Terminals and whether any such amounts were expended or costs incurred by the Port Authority or any third person, including without limitation thereto any Port Authority tenant, permittee, other occupant or user of the Air Terminals doing so pursuant to agreement with or the consent of the Port Authority, and regardless of the source of the amounts so expended or the costs incurred, including without limitation thereto any grants of aid from federal, state, local or other governments applied for, sought or received by or on behalf of the Port Authority, or with its consent. This definition of Airports investment shall apply only to Section 4 of the Original Agreement, as amended by this Ninth Supplemental Agreement and is effective as of January 1, 1979.

(b) Section 1 of the Original Agreement is hereby further amended by striking out of the definition of "Bonds issued for municipal air terminal purposes" the following sentence:

"The proceeds of such bonds shall be used solely for such purposes."

2. TERM

The second paragraph of Section 3 of the Original Agreement, as the same has been previously amended, is hereby further amended by striking it out in its entirety and inserting in place thereof, the following:

"Notwithstanding any other provision of this Ninth Supplemental Agreement or of the Seventh Supplemental Agreement or of the Original Agreement, as amended, supplemented or modified, the Port Authority shall not pledge any revenues of the municipal air terminals, or any part thereof, derivable at any time after the end of the lease term or sooner termination thereof (other than revenues accruing prior to the end of the lease term or sooner termination thereof), as security for the repayment of principal or interest, or of any part thereof, on any bonds of the Port Authority issued for municipal air terminal purposes or any other purposes, nor shall any such bonds of the Port Authority or any provision thereof affect in any manner whatsoever or grant any right whatsoever to or in the municipal air terminals or their operation, maintenance or revenues for or during any period after the end of the lease term or sooner termination thereof."

3. RENT

Section 4 of the Original Agreement, as the same has been previously amended, is hereby further amended by striking that Section out in its entirety and by substituting therefor the following:

"4. A RENTS

The annual rent which the Port Authority shall pay to the City for each current year from January 1, 1979 until the end of the term herein provided shall be as follows:

(1) Guaranteed Annual Rent

The guaranteed annual rent for each such year shall be the amount of:

$2,037,000 for the years 1979 through 1984;
$3,094,000 for the years 1985 through 1997;
$3,500,000 for the years 1998 through 2015;

(2)(a) Additional Payment for the current years 1979 through 1984

The Port Authority shall pay to the City, as additional rent for each year the amount if any, by which the guaranteed annual rent for such year is exceeded by the percentage of annual net revenue for such year indicated on the schedule below:

(b) Additional Payment for each current year commencing with the current year 1985

The Port Authority shall pay to the City, as additional rent for each year the amount, if any, by which the guaranteed annual rent for such year is exceeded by the sum of the annual net revenue for said year plus the imputed debt service factor for said year multiplied by the applicable percentage for such year indicated on the schedule below, provided, however, that in no event shall the additional payment under this Paragraph (2)(b) and the guaranteed annual rent under Paragraph (1) hereof exceed the annual net revenue for said year.

The foregoing provision for the additional payment is restated in equation form as follows:

$$[(A + B) \times C] - D = E$$

A = The annual net revenue for the current year.

B = The imputed debt service factor for the current year.

C = The applicable percentage for such current year indicated on the schedule below.

D = The guaranteed annual rental for said year.

E = The additional payment for each current year. This amount plus the guaranteed annual rent for such year (D) shall not in any event exceed the annual net revenue for said year (A).

(c) Schedule

1979 through 1984	60%
1985 through 2015	75%

Through December 31, 1982, the guaranteed annual rent for each such current year as specified in Paragraph (1) above shall be due and payable to the City on or before January 31 of such current year. The additional payment, if any, which may be due for each such current year pursuant to the provisions of this Paragraph (2), shall be due and payable to the City on or before March 31 of the calendar year following such current year.

Commencing with the current year 1983, the guaranteed annual rental and the additional payment for each current year as specified in Paragraphs (1) and (2) above shall be due and payable to the City in monthly installments on the 15th day of January and on the 15th day of each succeeding calendar month during such current year. The amount of each monthly installment shall consist of 1/12th of the amount estimated by the Port Authority to be due and payable for the current year. The Port Authority shall prepare an estimate as of January of each current year and shall continue in effect or revise said estimate as of April, July and October of each current year. The monthly installments payable during each quarterly period shall be based upon the Port Authority's estimate then in effect and in the event that any quarterly estimate revises the amount estimated to be due and payable to the City for the current year, whether said revision is upward or downward, then all monthly installments for the ensuing quarterly period will be made in accordance with the revised estimate. The revised estimate will also be utilized with respect to prior monthly installment paid during the current year and if additional payments are due the City they will be paid to the City and if the City has been overpaid, said overpayments shall be deducted from the monthly installments then and thereafter due. The final determination of the guaranteed annual rental and the additional payment, if any, which may be owing for each current year pursuant to the foregoing provisions shall be determined by the Port

Authority on or before March 31 of the calendar year following such current year. In the event any additional amounts are due and owing to the City they shall be due and payable to the City on or before said March 31 and if any amounts have been overpaid to the City they shall be deducted from the monthly installments then and thereafter due.

(3) Increased Rental

The Port Authority expects that the amount of continued Airports investment at the Air Terminals will be substantial. It is expected that Airports investment will reach the amounts set forth below as of the beginning of each of the five calendar years set forth below, as follows:

January 1, 1984	$125,000,000
January 1, 1989	$325,000,000 (cumulative)
January 1, 1994	$500,000,000 (cumulative)

Each of the foregoing dates is herein called a "threshold date" and each of the foregoing amounts is herein called a "threshold amount". The two-year period following a threshold date is herein called "a grace period". In the event that as of the expiration of the grace period applicable to a threshold date, Airports investment has not reached the threshold amount established for said threshold date, then thereafter an amount hereinafter called "the increased rental payment" shall be payable for the current year in which the grace period for the aforesaid threshold date has expired and for each succeeding current year until the aforesaid threshold amount is reached or until the grace period for the next succeeding threshold date expires, whichever is earlier. The increased rental payment, if any, payable for any current year shall be determined by applying the following formula:

$$\frac{A - B}{A} \times C = \text{Increased Rental Payment}$$

A = The applicable threshold amount, which for the current years 1986 through 1990 shall be $125,000,000, for the current years 1991 through 1995 shall be $325,000,000 and for any current year after 1995 shall be $500,000,000.

B = Airports investment as of January 1 of the calendar year immediately following the current year.

C = Annual net revenue for the current year less an amount determined by multipying the sum of the annual net revenue for said current year and the imputed debt service factor for said year by the applicable percentage of annual net revenue of said year as set forth in Paragraph (2) hereof. If the foregoing subtraction results in a negative difference, C shall equal zero.

The increased rental payment, if any, which may be due for each such current year pursuant to the provisions of this Paragraph (3) shall be due and payable to the City on or before March 31 of the calendar year following such current year. The foregoing computation with respect to the increased rental payment will not be made once the threshold amount previously not achieved has been reached until the expiration of the grace period applicable to the next succeeding threshold date.

B. STATEMENTS

On or before March 31 of each calendar year the Port Authority shall furnish to the City a statement of the annual net revenue of the municipal air terminals for the current year preceding such calendar year.

Such statement shall be a complete report of the following:

(a) An itemized statement of gross revenue by sources for such current year, together with a schedule of any items excludable under the terms of the lease.

(b) An itemized statement of operation and maintenance expenses for such current year listed by activity accounts.

(c) An itemized statement of the imputed debt service for such current year which shall include:

1. A schedule of individual properties and costs thereof comprising plant placed in service and plant retired during the year immediately preceding such current year; and

2. A detailed computation of the unamortized debt component and the capital replacement component for such current year.

In addition, the Port Authority shall furnish to the City on or before March 31 of each calendar year a statement of the cumulative amount of Airports investment as of the 1st day of said calendar year based upon amounts expended or costs incurred as more fully set forth in the definition of Airports investment for, in connection with or related to the construction, rehabilitation, expansion, improvement or development of any item constituting a part of Airports investment as of the last day of the immediately preceding calendar year.

No breach of any covenant, term or condition in this agreement shall excuse the Port Authority from the prompt payment of the rent herein reserved provided, however, in the event the Port Authority, under any law that may hereafter be enacted or applied, shall be or become subject to and liable for payment to the City of any taxes, assessments or governmental levies or imposts (except charges for water and for the use of the sewer system pursuant to Section 13 of the Original Agreement as amended in the Seventh Supplemental Agreement and

Section 14 of the Original Agreement) upon or against the demised premises or upon any part or parts thereof, then the payment by the Port Authority of the amount of such taxes, assessments, levies or imposts (except those imposed on sublessees or tenants for which the Port Authority, by agreement with such sublessees or tenants, assumes the obligation to pay) shall, as between the City and the Port Authority, be deemed payment pro tanto of the rent herein reserved, and the amount of such payments shall be treated as a cumulative credit against rent otherwise payable hereunder.

4. SURRENDER OF PORTIONS OF DEMISED PREMISES - LAGUARDIA AIRPORT AND JOHN F. KENNEDY INTERNATIONAL AIRPORT

Effective on the date of execution hereof the Port Authority hereby gives up, grants, yields and surrenders unto the City and the City hereby accepts the surrender of the portions of the demised premises described as Items 1, 3 and 8 in Substituted Schedule A attached to the Second Supplemental Agreement (to the Original Agreement) dated November 7, 1952 and Item 17 in Substituted Schedule A attached to the Eighth Supplemental Agreement thereof dated December 12, 1968, and all the estate, right, title, interest, term of years, property claims and demands whatsoever of the Port Authority of, in and to and out of the same, to the extent and purpose that the said term in said portions of the demised premises herein surrendered may be wholly merged, extinguished and excluded from the Original Agreement as amended, to have and to hold said premises herein surrendered unto the City, its successors and assigns forever. Subject however to existing use and occupancy by others, and reserving unto the Port Authority, its successors and assigns for the use and benefit of the public, the right of flight for the passage of aircraft in the air space above the surface of the premises herein surrendered, which public right of flight shall include but not be limited to the right to cause in said air space any noise or other kind of pollution or disturbance inherent in the operation of any aircraft used for avigation or flight through said air space or in landing at or taking off from or operating on LaGuardia Airport or on John F. Kennedy International Airport.

The aforesaid Items are surrendered upon the further conditions that during the term for which the demised premises under the Original Agreement as amended are leased:

A. They shall not be used or occupied at any time (1) for school house or similar educational purposes or (ii) for residential purposes which include but shall not be limited to private homes, apartment houses, hospitals, nursing homes or other similar facilities or (iii) for hotels or motels unless the use or occupancy of such hotel or motel shall have received the express prior written consent of the Port Authority which consent shall not be unreasonably withheld.

B. At no time shall structures of any nature be erected, vehicles parked, other items placed, or growth of natural objects be permitted by the City upon said premises which would in the opinion of the Federal Aviation Administration (FAA) or in the reasonable opinion of the Port Authority constitute an obstruction to avigation nor shall any activity be permitted on the subject premises which in the opinion of the FAA or in the reasonable opinion of the Port Authority interferes with or constitutes a hazard to the flight of aircraft over said premises or to and from the Airports or in anywise interferes with avigation or communications serving LaGuardia Airport or John F. Kennedy International Airport. In no event, moreover, shall any structure or structures be erected or growth of natural objects be permitted upon the premises which shall project above a horizontal plane at elevation 172 measured in feet above mean sea level at Sandy Hook, New Jersey as to Item 1; or project above a horizontal plane at elevation 316 measured in feet above mean sea level at Sandy Hook, New Jersey as to Item 3; or project above a horizontal plane at elevation 212 measured in feet above mean sea level at Sandy Hook, New Jersey as to Item 8; or project above a horizontal plane at elevation 162 measured in feet above mean sea level at Sandy Hook, New Jersey as to Item 17.

5. Notwithstanding the generality of the provisions of Section 8 of the Original Agreement, as previously amended and notwithstanding the accounting practices heretofore employed by the Port Authority in setting forth for each current year amounts representing the expense to the Port Authority of self-insuring risks at the Municipal Air

Terminals as part of the "Operation and maintenance expense" under Section 4 of the Original Agreement, as amended, it is hereby specifically understood and agreed that from and after the current year 1981 and as and to the extent that the Port Authority elects to self-insure any risks at the Municipal Air Terminals, the amount to be included in any current year in "Operation and maintenance expense" for the Port Authority's self-insuring such risks shall be determined in accordance with the principles of Financial Accounting Standards Boards, Statement No. 5, Accounting for Contingencies, as long as said Statement No. 5 remains in effect.

6. (a) Upon completion of and subject to all legally required governmental approvals including but not limited to the Board of Estimate, the City intends to demise and lease to the Port Authority the additional lands hereinafter described for parking purposes, which use shall include grading, black topping, fencing and lighting of the uplands contained therein, until the expiration or sooner termination of the Original Agreement, as amended and supplemented.

All that certain plot, piece or parcel of land situate, lying and being in the County of Queens, City and State of New York, more particularly bounded and described as follows:

BEGINNING at a point in the easterly boundary of a parcel of land demised to The Port Authority by the City, by Agreement entitled: "Agreement with Respect to Municipal Air Terminals" dated April 17, 1947, recorded in the Office of the New York City Register, Queens County on May 22, 1947 in Liber 5402, Page 319, etc. of conveyances, as amended and supplemented by the "Eighth Supplemental Agreement" with respect to Municipal Air Terminals thereto dated December 12, 1968 recorded July 23, 1969 in Reel 339 at pages 46 through 68, and described by metes and bounds in paragraph III therein at pages 10 and 11, said point having the coordinate values of South 28,053.834 and East 31,105.546 thence: (1) North 11°-16'-29.13" East along said boundary, a distance of 1200.00 feet to a point having the coordinate values of South 26,876.993 and East 31,340.163; thence (2) South 78°-43'-30.87" East a distance of 450.000 feet to a point having the coordinate value of South 26,964.974 and East 31,781.478; thence

(3) South 11°-16'-29.13" West a distance of 1100.000 feet to a point having the coordinate value of South 28,943.745 and East 31,566.413; thence (4) South 88°-44'-42" West a distance of 460.98 feet to the point and place of beginning.

The coordinates and bearings mentioned in the description hereinabove refer to the rectangular system of coordinates established by the Topographical Bureau of the Borough of Queens, City of New York, grid North being 28°-59'-13.5" East of true North.

RESERVING to the City and the United States Army Corps of Engineers or its successors in duties a right of escorted access at all times by the Port Authority for vehicles and pedestrians through the aforesaid described lands to the uplands owned by the City abutting, lying and being situate southeast of LaGuardia Airport. In addition the Port Authority shall maintain the paved pedestrian walkway, four feet in width, constructed by the Port Authority on said uplands to its southeasterly terminus in Flushing Bay.

(b) The City, only after consultation with the President of the Borough of Queens, intends to identify work to be performed in areas of Queens adjacent to the municipal air terminals. Upon the certification of the City from time to time that any portion of the said work is completed, the Port Authority, upon vouchers presented from time to time from the Comptroller of the City containing the said certification and at his written direction, shall pay the amount of said vouchers on behalf of the City, up to but not exceeding the sum of Two Million Dollars ($2,000,000).

(c) The amounts paid by the Port Authority as set forth in subparagraph (b) above shall be deemed to be Airports investment as defined in this Ninth Supplemental Agreement and shall be used in determining imputed debt service B hereunder.

(d) In the event the aforesaid described additional lands are not demised or leased to the Port Authority within eighteen (18) months from the date of the execution of this Ninth Supplemental Agreement, hereinafter referred to as

"the First Additional Lands Effective Date", then the agreement hereunder to lease said lands to the Port Authority shall be null and void, unless prior to the first Additional Lands Effective Date or any extended date thereof the Port Authority shall have exercised its option to extend as hereinafter provided. The Port Authority shall have the right at any time and from time to time prior to the First Additional Lands Effective Date or any extension thereof to serve a written notice upon the City extending the First Additional Lands Effective Date or any prior extension thereof to such date as the Port Authority shall designate in its notice. If the agreement hereunder to lease the aforesaid lands to the Port Authority becomes null and void as aforesaid, then all payments heretofore made by the Port Authority to the City shall be deducted from the monthly installments of the guaranteed annual rental and the additional payment as hereinbefore provided then and thereafter due, and to the extent that the full amount of $2,000,000 has not been paid to the City no further amounts shall be paid to the City. The amounts paid by the Port Authority as set forth in sub-paragraph (b) above shall not then be regarded as part of Airport investments or be utilized in determining imputed debt service B.

7. Except as specifically otherwise provided, this Ninth Supplemental Agreement shall be effective as of January 1, 1979.

8. Except as hereinabove provided, all of the terms, conditions, covenants and agreements of the Original Indenture, as the same has been previously amended, extended, supplemented and modified, shall be and remain in full force and effect.

9. No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Ninth Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

IN WITNESS WHEREOF, the City has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Deputy Mayor; and the

Port Authority has caused its corporate seal to be hereunto affixed and duly attested and this Agreement to be signed by its Assistant Executive Director, as of the day and year first above written.

ATTEST:

City Clerk

THE CITY OF NEW YORK

Deputy Mayor

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Assistant Executive Director

Approved as to Form:

(Acting Corporation Counsel)

Approved as to Form:

General Counsel

Approved as to Terms:

Comptroller

TABLE I

INSTRUCTIONS: Determine the current interest rate established for the current year. "Leasehold Term Remaining" is the unexpired term of the lease from January 1 of the current year. The appropriate equal annual factor to be applied to the unamortized debt as of the beginning of that year is shown under the rate of current interest established for that year on the line corresponding to the "Leasehold Term Remaining."

TABLE I

Factors for Unamortized Debt Component of Imputed Debt Service

Leasehold Term Remaining	Amortization Factor Under "Current Interest" Rates of:			
	2½%	2¾%	2¼%	2¼%
51	.03491	.03580	.03670	.03761
50	.03525	.03614	.03704	.03795
49	.03562	.03651	.03740	.03830
48	.03601	.03688	.03777	.03867
47	.03641	.03728	.03816	.03906
46	.03683	.03770	.03857	.03946
45	.03727	.03813	.03901	.03989
44	.03773	.03859	.03946	.04034
43	.03822	.03907	.03994	.04081
42	.03873	.03958	.04044	.04131
41	.03927	.04012	.04097	.04184
40	.03984	.04068	.04153	.04239
39	.04044	.04127	.04212	.04298
38	.04107	.04190	.04275	.04360
37	.04174	.04257	.04341	.04426
36	.04245	.04328	.04411	.04495
35	.04321	.04403	.04486	.04569
34	.04401	.04482	.04565	.04648
33	.04486	.04567	.04649	.04732
32	.04577	.04658	.04739	.04822
31	.04674	.04754	.04835	.04917
30	.04778	.04858	.04938	.05020
29	.04889	.04969	.05049	.05130
28	.05009	.05088	.05168	.05248
27	.05138	.05216	.05296	.05376
26	.05277	.05355	.05434	.05514
25	.05428	.05505	.05584	.05663
24	.05591	.05669	.05747	.05826
23	.05770	.05847	.05924	.06003
22	.05965	.06041	.06119	.06196
21	.06179	.06255	.06332	.06409
20	.06415	.06491	.06567	.06644
19	.06676	.06752	.06828	.06904
18	.06967	.07042	.07118	.07194
17	.07293	.07368	.07443	.07519
16	.07660	.07735	.07810	.07885
15	.08077	.08151	.08226	.08301
14	.08554	.08628	.08702	.08777
13	.09105	.09179	.09253	.09328
12	.09749	.09823	.09897	.09971
11	.10511	.10584	.10659	.10733
10	.11426	.11500	.11574	.11648
9	.12546	.12620	.12694	.12769
8	.13947	.14021	.14096	.14171
7	.15750	.15825	.15900	.15975
6	.18155	.18231	.18307	.18383
5	.21525	.21602	.21680	.21758
4	.26582	.26662	.26742	.26822
3	.35014	.35098	.35183	.35268
2	.51883	.51977	.52072	.52166
1	1.02500	1.02625	1.02750	1.02875

TABLE I

(Continued)

Leasehold Term Remaining	3%	3¼%	3½%	3¾%	3¾%
51	.03853	.03947	.04041	.04136	.04232
50	.03887	.03979	.04073	.04168	.04263
49	.03921	.04014	.04107	.04201	.04296
48	.03958	.04050	.04142	.04236	.04331
47	.03996	.04087	.04180	.04273	.04367
46	.04036	.04127	.04219	.04312	.04405
45	.04079	.04169	.04260	.04352	.04445
44	.04123	.04213	.04304	.04395	.04488
43	.04170	.04259	.04349	.04441	.04533
42	.04219	.04308	.04398	.04488	.04580
41	.04271	.04360	.04449	.04539	.04630
40	.04326	.04414	.04503	.04592	.04683
39	.04384	.04472	.04560	.04649	.04739
38	.04446	.04533	.04620	.04709	.04798
37	.04511	.04597	.04685	.04773	.04861
36	.04580	.04666	.04753	.04840	.04928
35	.04654	.04739	.04825	.04912	.05000
34	.04732	.04817	.04903	.04989	.05076
33	.04816	.04900	.04985	.05071	.05157
32	.04905	.04988	.05073	.05158	.05244
31	.05000	.05083	.05167	.05252	.05337
30	.05102	.05185	.05268	.05352	.05437
29	.05211	.05294	.05377	.05460	.05545
28	.05329	.05411	.05494	.05577	.05660
27	.05456	.05538	.05620	.05702	.05785
26	.05594	.05675	.05756	.05838	.05921
25	.05743	.05823	.05904	.05985	.06067
24	.05905	.05985	.06065	.06146	.06227
23	.06081	.06161	.06241	.06321	.06402
22	.06275	.06354	.06433	.06513	.06593
21	.06487	.06566	.06644	.06724	.06804
20	.06722	.06800	.06878	.06957	.07036
19	.06981	.07059	.07137	.07215	.07294
18	.07271	.07348	.07425	.07503	.07582
17	.07595	.07672	.07749	.07826	.07904
16	.07961	.08037	.08114	.08191	.08268
15	.08377	.08453	.08529	.08606	.08683
14	.08853	.08928	.09004	.09080	.09157
13	.09403	.09478	.09554	.09630	.09706
12	.10046	.10121	.10197	.10272	.10348
11	.10808	.10883	.10958	.11033	.11109
10	.11723	.11798	.11873	.11949	.12024
9	.12843	.12918	.12994	.13069	.13145
8	.14246	.14321	.14396	.14472	.14548
7	.16051	.16126	.16202	.16278	.16354
6	.18460	.18536	.18613	.18690	.18767
5	.21835	.21913	.21992	.22070	.22148
4	.26903	.26983	.27064	.27144	.27225
3	.35353	.35438	.35523	.35608	.35693
2	.52261	.52356	.52450	.52545	.52640
1	1.03000	1.03125	1.03250	1.03375	1.03500

TABLE I

(Continued)

Leasehold Term Remaining	5¼%	5⅜%	5½%	4%
51	.04329	.04427	.04526	.04626
50	.04360	.04457	.04556	.04655
49	.04392	.04489	.04587	.04686
48	.04426	.04523	.04620	.04718
47	.04462	.04558	.04655	.04752
46	.04500	.04595	.04691	.04788
45	.04539	.04634	.04730	.04826
44	.04581	.04675	.04771	.04866
43	.04625	.04719	.04814	.04909
42	.04672	.04765	.04859	.04954
41	.04722	.04814	.04908	.05002
40	.04774	.04866	.04959	.05052
39	.04829	.04921	.05013	.05106
38	.04888	.04979	.05071	.05163
37	.04951	.05041	.05132	.05224
36	.05017	.05107	.05198	.05289
35	.05088	.05177	.05267	.05358
34	.05164	.05252	.05342	.05431
33	.05244	.05332	.05421	.05510
32	.05331	.05418	.05506	.05595
31	.05423	.05510	.05597	.05686
30	.05523	.05609	.05696	.05783
29	.05629	.05715	.05801	.05888
28	.05745	.05830	.05915	.06001
27	.05869	.05953	.06038	.06124
26	.06004	.06087	.06172	.06257
25	.06150	.06233	.06317	.06401
24	.06309	.06392	.06475	.06559
23	.06483	.06565	.06648	.06731
22	.06674	.06756	.06837	.06920
21	.06884	.06965	.07046	.07128
20	.07116	.07196	.07277	.07358
19	.07373	.07453	.07533	.07614
18	.07660	.07740	.07819	.07899
17	.07983	.08061	.08140	.08220
16	.08346	.08424	.08503	.08582
15	.08760	.08838	.08916	.08994
14	.09234	.09311	.09389	.09467
13	.09783	.09860	.09937	.10014
12	.10425	.10501	.10578	.10655
11	.11185	.11262	.11338	.11415
10	.12100	.12176	.12252	.12329
9	.13220	.13297	.13373	.13449
8	.14624	.14700	.14776	.14853
7	.16431	.16507	.16584	.16661
6	.18844	.18921	.18999	.19076
5	.22227	.22305	.22384	.22463
4	.27306	.27387	.27468	.27549
3	.35779	.35864	.35949	.36035
2	.52735	.52830	.52925	.53020
1	1.03625	1.03750	1.03875	1.04000

TABLE I

(Continued)

Leasehold Term Remaining	4¼%	4⅛%	4⅛%	4¼%
51	.04726	.04828	.04930	.05033
50	.04755	.04856	.04958	.05060
49	.04785	.04886	.04987	.05089
48	.04817	.04917	.05017	.05119
47	.04851	.04950	.05050	.05151
46	.04886	.04985	.05084	.05184
45	.04924	.05022	.05121	.05220
44	.04963	.05061	.05159	.05258
43	.05005	.05102	.05200	.05298
42	.05050	.05146	.05243	.05341
41	.05097	.05192	.05289	.05386
40	.05147	.05242	.05338	.05434
39	.05200	.05294	.05390	.05486
38	.05256	.05350	.05445	.05540
37	.05316	.05410	.05504	.05598
36	.05381	.05473	.05567	.05661
35	.05449	.05541	.05634	.05727
34	.05522	.05613	.05705	.05798
33	.05600	.05691	.05782	.05874
32	.05684	.05774	.05865	.05956
31	.05774	.05864	.05954	.06044
30	.05871	.05960	.06049	.06139
29	.05975	.06063	.06152	.06241
28	.06088	.06175	.06263	.06352
27	.06210	.06297	.06384	.06472
26	.06342	.06428	.06515	.06602
25	.06486	.06571	.06657	.06744
24	.06643	.06728	.06813	.06899
23	.06814	.06899	.06983	.07068
22	.07003	.07086	.07170	.07255
21	.07210	.07293	.07376	.07460
20	.07440	.07522	.07605	.07688
19	.07695	.07776	.07858	.07941
18	.07980	.08061	.08142	.08224
17	.08300	.08380	.08461	.08542
16	.08661	.08741	.08821	.08902
15	.09073	.09152	.09232	.09311
14	.09545	.09624	.09703	.09782
13	.10092	.10170	.10249	.10328
12	.10733	.10810	.10888	.10967
11	.11492	.11569	.11647	.11725
10	.12406	.12483	.12560	.12638
9	.13526	.13603	.13680	.13757
8	.14930	.15006	.15084	.15161
7	.16738	.16815	.16893	.16970
6	.19154	.19232	.19310	.19388
5	.22542	.22621	.22700	.22779
4	.27630	.27712	.27793	.27874
3	.36120	.36206	.36292	.36377
2	.53115	.53210	.53305	.53400
1	1.04125	1.04250	1.04375	1.04500

If the current interest rate established for a current year is outside of the 2½-4½% range, then the equal annual factor for such year ($\frac{1}{a\ \overline{N}|}$) can be computed by the following formula:

$$\frac{1}{a\ \overline{N}|} = \frac{i}{1 - v^N}\ ;\ \text{where}$$

N = Leasehold Term Remaining from January 1 of the current year;

i = Current interest rate established for that year; and

$$v = \frac{1}{1 + i}$$

The equal annual factors appearing in the foregoing table were computed by the application of this formula. These factors shall be subject to verification each year.

TABLE II

INSTRUCTIONS: Determine the current interest rate established for the current year. "Leasehold Term Remaining" is the unexpired term of the lease from January 1 of the current year. The appropriate replacement factor to be applied to the value of the plant in service as of the beginning of that year is shown under the rate of current interest established for that year on the line corresponding to the "Leasehold Term Remaining."

TABLE II

Factors for Capital Replacement Component of Imputed Debt Service

Leasehold Term Remaining	Replacement Rate	Replacement Factor Under "Current Interest" Rates of: 2½%	2¾%	2¼%
51	.00572	.03361	.03350	.03339
50	.00756	.03458	.03450	.03441
49	.00963	.03554	.03547	.03541
48	.01191	.03646	.03642	.03637
47	.01437	.03735	.03732	.03729
46	.01697	.03818	.03817	.03816
45	.01970	.03895	.03896	.03897
44	.02250	.03966	.03968	.03971
43	.02534	.04030	.04033	.04037
42	.02817	.04085	.04090	.04095
41	.03094	.04132	.04138	.04144
40	.03361	.04170	.04177	.04184
39	.03613	.04200	.04207	.04215
38	.03846	.04220	.04228	.04236
37	.04055	.04232	.04240	.04249
36	.04238	.04235	.04244	.04252
35	.04390	.04230	.04239	.04248
34	.04511	.04218	.04227	.04236
33	.04599	.04200	.04209	.04217
32	.04654	.04177	.04185	.04193
31	.04677	.04149	.04157	.04165
30	.04670	.04118	.04125	.04133
29	.04636	.04085	.04092	.04099
28	.04578	.04052	.04058	.04065
27	.04500	.04019	.04025	.04031
26	.04408	.03988	.03993	.03999
25	.04305	.03959	.03964	.03969
24	.04198	.03934	.03938	.03943
23	.04091	.03912	.03917	.03921
22	.03988	.03895	.03900	.03904
21	.03894	.03884	.03888	.03892
20	.03811	.03877	.03881	.03885
19	.03742	.03875	.03878	.03882
18	.03688	.03877	.03881	.03885
17	.03651	.03884	.03888	.03892
16	.03629	.03895	.03899	.03903
15	.03623	.03909	.03913	.03917
14	.03630	.03926	.03930	.03934
13	.03649	.03945	.03949	.03953
12	.03677	.03965	.03969	.03974
11	.03713	.03986	.03990	.03995
10	.03753	.04006	.04011	.04015
9	.03795	.04026	.04031	.04036
8	.03838	.04045	.04050	.04055
7	.03879	.04063	.04067	.04072
6	.03917	.04078	.04083	.04088
5	.03950	.04092	.04097	.04102
4	.03977	.04104	.04109	.04114
3	.03999	.04113	.04118	.04123
2	.04015	.04120	.04125	.04130
1	.04025	.04125	.04130	.04135

TABLE II

(Continued)

Leasehold Term Remaining	2¼%	3%	3¼%	3½%	3¾%
51	.03328	.03317	.03306	.03295	.03283
50	.03432	.03423	.03414	.03405	.03395
49	.03534	.03527	.03520	.03512	.03505
48	.03632	.03627	.03622	.03617	.03611
47	.03726	.03723	.03720	.03717	.03713
46	.03815	.03814	.03812	.03811	.03809
45	.03897	.03898	.03898	.03898	.03899
44	.03973	.03975	.03977	.03979	.03981
43	.04040	.04044	.04047	.04051	.04054
42	.04100	.04104	.04109	.04114	.04118
41	.04150	.04156	.04162	.04167	.04173
40	.04191	.04198	.04204	.04211	.04218
39	.04222	.04230	.04237	.04245	.04252
38	.04244	.04253	.04261	.04269	.04277
37	.04257	.04266	.04274	.04283	.04291
36	.04261	.04270	.04278	.04287	.04296
35	.04257	.04265	.04274	.04283	.04292
34	.04244	.04253	.04262	.04271	.04279
33	.04226	.04234	.04243	.04251	.04260
32	.04201	.04210	.04218	.04226	.04235
31	.04172	.04180	.04188	.04196	.04204
30	.04140	.04148	.04155	.04163	.04170
29	.04106	.04113	.04120	.04127	.04135
28	.04072	.04078	.04085	.04091	.04098
27	.04037	.04043	.04049	.04056	.04062
26	.04005	.04010	.04016	.04022	.04027
25	.03975	.03980	.03985	.03990	.03996
24	.03948	.03953	.03958	.03963	.03968
23	.03926	.03930	.03935	.03940	.03944
22	.03908	.03913	.03917	.03921	.03926
21	.03896	.03900	.03904	.03908	.03912
20	.03888	.03892	.03896	.03900	.03904
19	.03886	.03890	.03894	.03898	.03902
18	.03889	.03893	.03897	.03900	.03904
17	.03896	.03900	.03904	.03908	.03911
16	.03907	.03911	.03915	.03919	.03923
15	.03921	.03925	.03929	.03933	.03937
14	.03939	.03943	.03947	.03951	.03955
13	.03958	.03962	.03966	.03970	.03975
12	.03978	.03982	.03987	.03991	.03995
11	.03999	.04003	.04008	.04012	.04017
10	.04020	.04024	.04029	.04034	.04038
9	.04040	.04045	.04050	.04054	.04059
8	.04059	.04064	.04069	.04074	.04078
7	.04077	.04082	.04087	.04092	.04096
6	.04093	.04098	.04103	.04108	.04113
5	.04107	.04112	.04117	.04122	.04127
4	.04119	.04124	.04129	.04134	.04138
3	.04128	.04133	.04138	.04143	.04148
2	.04135	.04140	.04145	.04150	.04155
1	.04140	.04145	.04150	.04155	.04160

TABLE II

(Continued)

Leasehold Term Remaining	5¼%	5⅜%	5½%	5⅝%
51	.03272	.03260	.03248	.03237
50	.03386	.03376	.03367	.03357
49	.03498	.03490	.03483	.03475
48	.03606	.03601	.03595	.03589
47	.03710	.03706	.03703	.03699
46	.03808	.03806	.03804	.03802
45	.03899	.03899	.03899	.03899
44	.03982	.03984	.03986	.03987
43	.04057	.04060	.04064	.04067
42	.04123	.04127	.04132	.04136
41	.04179	.04185	.04190	.04196
40	.04225	.04231	.04238	.04244
39	.04260	.04267	.04275	.04282
38	.04285	.04293	.04301	.04309
37	.04300	.04308	.04317	.04325
36	.04305	.04313	.04322	.04331
35	.04301	.04309	.04318	.04327
34	.04288	.04297	.04306	.04315
33	.04269	.04277	.04286	.04295
32	.04243	.04251	.04260	.04268
31	.04212	.04220	.04228	.04236
30	.04178	.04186	.04193	.04201
29	.04142	.04149	.04156	.04163
28	.04105	.04111	.04118	.04125
27	.04068	.04074	.04080	.04086
26	.04033	.04039	.04044	.04050
25	.04001	.04006	.04012	.04017
24	.03973	.03977	.03982	.03987
23	.03949	.03953	.03958	.03962
22	.03930	.03934	.03939	.03943
21	.03916	.03920	.03925	.03929
20	.03908	.03912	.03916	.03920
19	.03906	.03910	.03913	.03917
18	.03908	.03912	.03916	.03920
17	.03915	.03919	.03923	.03927
16	.03927	.03931	.03935	.03938
15	.03941	.03945	.03949	.03953
14	.03959	.03963	.03967	.03971
13	.03979	.03983	.03987	.03991
12	.04000	.04004	.04008	.04013
11	.04021	.04026	.04030	.04035
10	.04043	.04047	.04052	.04056
9	.04064	.04068	.04073	.04077
8	.04083	.04088	.04093	.04097
7	.04101	.04106	.04111	.04116
6	.04117	.04122	.04127	.04132
5	.04132	.04137	.04141	.04146
4	.04143	.04148	.04153	.04158
3	.04153	.04158	.04163	.04168
2	.04160	.04165	.04170	.04175
1	.04166	.04171	.04176	.04181

TABLE II

(Continued)

Leasehold Term Remaining	4%	4½%	4¾%	4¾%	4¾%
51	.03225	.03213	.03201	.03189	.03177
50	.03347	.03337	.03328	.03317	.03307
49	.03457	.03459	.03452	.03444	.03436
48	.03584	.03578	.03572	.03566	.03560
47	.03695	.03691	.03687	.03683	.03679
46	.03800	.03798	.03796	.03794	.03792
45	.03899	.03898	.03898	.03898	.03897
44	.03989	.03990	.03991	.03993	.03994
43	.04070	.04073	.04075	.04078	.04081
42	.04141	.04145	.04149	.04153	.04158
41	.04201	.04207	.04212	.04218	.04223
40	.04251	.04257	.04264	.04270	.04277
39	.04289	.04297	.04304	.04311	.04319
38	.04317	.04325	.04333	.04341	.04349
37	.04334	.04342	.04350	.04359	.04367
36	.04340	.04348	.04357	.04366	.04375
35	.04336	.04345	.04354	.04363	.04371
34	.04324	.04332	.04341	.04350	.04359
33	.04303	.04312	.04321	.04329	.04338
32	.04276	.04285	.04293	.04302	.04310
31	.04244	.04252	.04261	.04269	.04277
30	.04209	.04216	.04224	.04232	.04239
29	.04170	.04178	.04185	.04192	.04199
28	.04131	.04138	.04145	.04151	.04158
27	.04093	.04099	.04105	.04111	.04118
26	.04056	.04062	.04068	.04073	.04079
25	.04022	.04028	.04033	.04038	.04044
24	.03992	.03997	.04002	.04007	.04012
23	.03967	.03972	.03976	.03981	.03986
22	.03947	.03952	.03956	.03960	.03965
21	.03933	.03937	.03941	.03945	.03950
20	.03924	.03928	.03932	.03936	.03940
19	.03921	.03925	.03929	.03933	.03937
18	.03924	.03927	.03931	.03935	.03939
17	.03931	.03935	.03939	.03942	.03946
16	.03942	.03946	.03950	.03954	.03958
15	.03957	.03961	.03965	.03969	.03973
14	.03975	.03980	.03984	.03988	.03992
13	.03996	.04000	.04004	.04008	.04012
12	.04017	.04021	.04026	.04030	.04034
11	.04039	.04043	.04048	.04052	.04057
10	.04061	.04065	.04070	.04075	.04079
9	.04082	.04087	.04091	.04096	.04101
8	.04102	.04107	.04112	.04116	.04121
7	.04121	.04125	.04130	.04135	.04140
6	.04137	.04142	.04147	.04152	.04157
5	.04151	.04156	.04161	.04166	.04171
4	.04163	.04168	.04173	.04178	.04183
3	.04173	.04178	.04183	.04188	.04193
2	.04180	.04185	.04190	.04196	.04201
1	.04186	.04191	.04196	.04201	.04206

If the current interest rate established for a current year is outside of the 2½-4½% range, then the replacement factor for such year (Fy) can be computed by the following formula:

$$F_y = \left[\sum_{j=y}^{j=M} (R_j)(v)^{(j-y)}\right]\left[\frac{i}{1-v^{(M-y+1)}}\right]$$; where

y = Current year of lease (For example, January 1, 1965 through December 31, 1965 = 1, etc.);

i = Current interest rate established for that year;

Rj = Replacement rate for that year (The replacement rate for a current year is the replacement rate shown alongside the "Leasehold Term Remaining" figure measured from January 1 of any such year. For example, the replacement rate for 1965 = .00572);

M = 51; and

$$v = \frac{1}{1+i}$$

The replacement factors appearing in the foregoing table were computed by the application of this formula. These factors shall be subject to verification each year.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 18th day of February, 1982, before me personally came DAVID N. DINKINS, with whom I am personally acquainted, and known to me to be the the City Clerk of THE CITY OF NEW YORK, who, being by me duly sworn did depose and say that he resides at 1 Ex. 1 , New York, New York 10032; that he is the City Clerk of THE CITY OF NEW YORK, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Estimate, and that he signed his name thereto as City Clerk by like authority; and further that he knows and is acquainted with KAREN N. GERARD and knows her to be the person described in and who as Deputy Mayor of THE CITY OF NEW YORK executed the said instrument; that he saw her subscribe and execute the same, and that she acknowledged to him, the said DAVID N. DINKINS, that she executed the same, and he, the said DAVID N. DINKINS thereupon subscribed his name thereto.

Ellis Imuska

ELLIS IMUSKO
COMMISSIONER OF DEEDS
CITY OF NEW YORK NO. 3-611
Certificate Filed in New York County
Commission Expires 12/1/83

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 18TH day of FEBRUARY, 1982, before me personally came and appeared ROBERT F. BENNETT, to me known, who being by me duly sworn, did depose and say that he resides at Ex. 1 New Jersey 07087; that he is the Assistant [illegible]ctive Director of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of Congress, described in and which executed the foregoing instrument; that he knows the seal of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY aforesaid; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Commissioners of THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY and that he signed his name thereto by like order.

Cecilia M. Healy

CECILIA M. HEALY
Notary Public, State of New York
No. 43-4706277 Richmond County
Certificate filed in New York County
Commission Expires March 30, 1983

CERTIFICATE OF AMERICAN AIRLINES, INC.

The undersigned, Leslie M. Benners, certifies that she is the Managing Director - Corporate Finance and Banking of American Airlines, Inc., a Delaware corporation (the "Company"), and that she is authorized to execute this Certificate on behalf of the Company, and further certifies that attached hereto as Exhibit A is a true copy of the Agreement of Lease between the Company and The Port Authority of New York and New Jersey entered into as of August 1, 1976, and of all material amendments and supplements thereto in the files of the Company of which I have knowledge based solely on a review of the files of the Company conducted by an employee in the Corporate Real Estate Department of the Company, of the Amended and Restated Lease dated as of December 22, 2000 and of the First Supplemental Agreement dated as of July 31, 2002.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be duly executed this 31st day of July, 2002.

Leslie M. Benners
Managing Director - Corporate
Finance and Banking

P:\CORPFIN\BONDS\JFK\AAcert re Port Authority Lease.exc.wpd

AMENDED AND RESTATED
LEASE AYB-085R

JOHN F. KENNEDY INTERNATIONAL AIRPORT

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY

AND

AMERICAN AIRLINES, INC.
(The Lessee)

THE PORT AUTHORITY OF NY & NJ

JOHN F. KENNEDY INTERNATIONAL AIRPORT
SOUTH SERVICE ROAD, BUILDING #14
JAMAICA, NY 11430

(718) 244-3500

January 2, 2001

RECEIVED

CORPORATE REAL ESTATE

Mr. Doug Hope
Sr. Real Estate Counsel
American Airlines, Inc
4333 Amon Carter Boulevard
MD 5317
Fort Worth, TX 76155

SUBJECT: AMERICAN AIRLINES INC., AMENDED AND RESTATED LEASE AYB-085R

Dear Doug:

Enclosed please find a fully executed copy of the subject lease between the Port Authority and American Airlines, Inc. covering Terminals 8 and 9 at John F. Kennedy International Airport.

Pursuant to the instructions outlined in Ken Lemke's December 22, 2000 letter, I inserted revised pages 56 thru 58, 60 thru 62 and 70 thru 72 into the documents.

If you have any questions concerning this matter I can be reached at (718) 244-3651.

Sincerely,

Thomas P. Maher
Manager, Lease Operations
Properties & Commercial Development
John F. Kennedy International Airport

TPM/sj

cc: Gary F. Kennedy

AmericanAirlines®

Via Federal Express
3 PKGS.

December 22, 2000

Mr. Thomas P. Maher
Manager, Lease Operations
Port Authority of NY & NJ
JFK International Airport
Bldg. 14, 2nd Floor
Jamaica, NY 11430

Re: JFK American Airlines, Inc. Amended and Restated Agreement of Lease
AYB-085

Dear Tom:

I am pleased to return to you three (3) copies of the above referenced document that have been executed on behalf of American.

As discussed today by phone, we were unable to satisfactorily insert revised pages 56, 57, 58, 60, 61, 62, 70, 71 and 72 into the documents. Therefore, we are returning the signed documents with the understanding that you will have the revised pages inserted in the documents and return one (1) complete copy for our records.

We appreciate your kind cooperation in the completion of this matter.

Sincerely,

Kenneth R. Lemke
Senior Real Estate Counsel

AMERICAN AIRLINES, INC.
LEASE AYB-085R

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THIS AGREEMENT SHALL NOT BE BINDING UPON
THE PORT AUTHORITY UNTIL DULY EXECUTED BY
AN EXECUTIVE OFFICER THEREOF AND DELIVERED
TO THE LESSEE BY AN AUTHORIZED
REPRESENTATIVE OF THE PORT AUTHORITY

Port Authority Lease No. AYB-085R

AMENDED AND RESTATED AGREEMENT OF LEASE

THIS AMENDED AND RESTATED AGREEMENT OF LEASE, made as of the 22nd day of December, 2000 (which date is hereinafter called the "Effective Date") by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority"), a body corporate and politic, established by Compact between the States of New Jersey and New York with the consent of the Congress of the United States of America, and having an office at One World Trade Center, in the Borough of Manhattan, City, County and State of New York, and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee"), a corporation of the State of Delaware with an office and place of business at MD 5317, 4333 Amon Carter Blvd., Fort Worth, Texas 76155 whose representative is its Vice President, Corporate Real Estate.

WITNESSETH, That:

WHEREAS, pursuant to Lease AYB-085 the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as described in Lease AYB-085; and

WHEREAS, the Port Authority and the Lessee desire to amend and supplement Lease AYB-085 as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the rents, covenants and mutual agreements hereinafter contained, the Port Authority and the Lessee hereby agree effective as of the dates hereinafter set forth that Lease AYB-085 shall be amended and supplemented as set forth in Section 2B(p) and Section 59(j) below and that from and after the Effective Date Lease AYB-085 shall be amended and supplemented to read as set forth in and in accordance with this Amended and Restated Agreement of Lease as follows:

Section 1. Letting

(a) Without limiting or affecting the letting of the Lease AYB-085 Premises by the Port Authority to the Lessee and the hiring and taking thereof by the Lessee from the Port Authority under Lease AYB-085, the Port Authority hereby acknowledges that it has heretofore let to the Lessee the Lease AYB-085 Premises pursuant to Lease AYB-085 and hereby agrees and restates that it continues to let the Lease AYB-085 Premises to the Lessee pursuant to the same letting thereof which commenced under Lease AYB-085 (without creating a new estate or other new interest in the Lease AYB-085 Premises) pursuant to and in accordance with the Lease and the Lessee hereby acknowledges that it has heretofore hired and taken the Lease AYB-085 Premises from the Port Authority pursuant to Lease AYB-085 and hereby agrees and restates that it continues to hire and take from the Port Authority the Lease AYB-085 Premises pursuant to and in accordance with the Lease.

(b) Effective at 12:01 o'clock A.M. on the Effective Date in addition to the Lease AYB-085 Premises heretofore let to the Lessee under the Lease, the letting of which shall continue in full force and effect, the Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority upon all the terms, provisions, conditions and agreements of this Lease at the Airport in the County of Queens, City and State of New York the land shown in stippled-diagonal hatching on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 1.1" (which exhibit is hereinafter called "Exhibit 1.1" and which land is hereinafter referred to as the "Additional Premises"), together with the fixtures, improvements and other property of the Port Authority located or to be located therein, thereunder or thereon, and all structures, improvements, additions, buildings and facilities, located, constructed or installed or to be located, constructed or installed therein, thereunder or thereon, all of the foregoing to be and become a part of the Premises let under this Lease, subject to all of the terms, provisions, covenants and conditions of this Lease, for and during the balance of the term of the letting under this Lease subject to earlier termination as provided in this Lease.

(c) (1) Effective at 12:01 o'clock A.M. on the Effective Date (which date and hour are hereinafter in this paragraph collectively called the "Surrender Date") the Lessee has granted, bargained, sold, surrendered and yielded up and does by these presents grant, bargain, sell, surrender and yield up unto the Port Authority, its successors and assigns, forever, those portions of the Lease AYB-085 Premises shown in crosshatching on Exhibit 1.1 (such portions of the Premises being hereinafter called the "Surrendered Premises") and the term of years with respect thereto under the Lease yet to come and has given, granted, surrendered and by these presents does give, grant and surrender to the Port Authority, its successors and assigns, all the rights, rights of renewal, licenses, privileges and options of the Lessee granted by the Lease with respect to the Surrendered Premises, all to the intent and purpose that the said term under the Lease and the said rights of renewal, licenses, privileges and options may be wholly merged, extinguished and determined on the Surrender Date, with the same force and effect as if the said term were in and by the provisions of the Lease originally fixed to expire on the the Surrender Date, but the Lease and the letting thereunder shall continue in full force and effect as to the

remainder of the Premises under the Lease and in accordance with all the terms and provisions thereof.

TO HAVE AND TO HOLD the same unto the Port Authority, its successors and assigns forever.

(2) The Lessee hereby covenants on behalf of itself, its successors and assigns that (a) it has not done or suffered and will not do or suffer anything whereby the Surrendered Premises or the Lessee's leasehold therein, has been or shall be encumbered as of the the Surrender Date in any way whatsoever; (b) the Lessee is and will remain until the Surrender Date the sole and absolute owner of the leasehold estate in the Surrendered Premises and of the rights, rights of renewal, licenses, privileges and options granted by the Lease with respect thereto and that the same are and will remain until the Surrender Date free and clear of all liens and encumbrances of whatsoever nature; and (c) the Lessee has full right and power to make this Agreement.

(3) All promises, covenants, agreements and obligations of the Lessee with respect to the Surrendered Premises which under the provisions thereof would have matured upon the date originally fixed in the Lease for the expiration of the term thereof, or upon the termination of the Lease prior to the said date, or within a stated period after expiration or termination shall, notwithstanding such provisions, mature upon the Surrender Date and shall survive the execution and delivery of this Amended and Restated Agreement of Lease.

(4) The Lessee has released and discharged and does by these presents release and discharge the Port Authority from any and all obligations of every kind, past, present or future on the part of the Port Authority to be performed under the Lease with respect to the Surrendered Premises. The Port Authority does by these presents release and discharge the Lessee from any and all obligations on the part of the Lessee to be performed under the Lease with respect to the Surrendered Premises for that portion of the term subsequent to the Surrender Date; it being understood that nothing herein contained shall release, relieve or discharge the Lessee from any liability for rentals or for other charges that may be due or become due to the Port Authority for any period or periods prior to the Surrender Date, or for breach of any other obligation on the Lessee's part to be performed under the Lease for or during such period or periods or maturing pursuant to the foregoing paragraph, nor shall anything herein be deemed to release the Lessee from any liability for rentals or other charges that may be due or become due to the Port Authority for any other portion of the Premises or for breach of any other obligation on the Lessee's part to be performed under the Lease.

(d) Except to the extent required for the performance of any of the obligations of the Lessee hereunder nothing contained in this Agreement shall grant to the Lessee any rights whatsoever in the air space above the Premises in excess of the height elevation limitations

described in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 1.2".

(e) The parties acknowledge that the Premises constitute non-residential real property.

(f) The parties acknowledge and agree that prior to the Effective Date the Lease shall read as set forth in Lease AYB-085, including without limitation as amended and supplemented by this Amended and Restated Agreement of Lease pursuant to Sections 2B and 59 hereof effective as of the dates set forth therein and that from and after the Effective Date the Lease shall be amended and supplemented to read as set forth in this Amended and Restated Agreement of Lease. Further, it is hereby understood and agreed that, except as set forth in Sections 2B and 59 hereof, neither this Amended and Restated Agreement of Lease nor the execution thereof by the parties hereto shall affect or otherwise alter or change or be deemed to have affected or otherwise altered or changed any of the terms, covenants, provisions and agreements of Lease AYB-085 or the effectiveness thereof prior to the Effective Date nor have relieved or released the Lessee from any of its obligations under Lease AYB-085 and all the provisions, terms, covenants and conditions of Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease shall remain in full force and effect.

(g) The Port Authority has not made and continues not to make any representation as to title to any of the trade fixtures or other property in the Lease AYB-085 Premises including, without limitation, passenger loading bridges and baggage conveyor systems and carrousels, or as to the right of the Lessee to possess or use the same. The matter of title and related issues as to the foregoing specified items have been and may be presently in dispute, claims having been asserted as to one or more of said items by United Airlines, Inc. and Northwest Airlines, Inc. and the Port Authority shall have no liability or obligation to the Lessee with respect to such or other claims or potential claims, the resolution thereof or subject property. Use or possession thereof by the Lessee shall be at the risk of the Lessee and the Lessee shall indemnify and save harmless the Port Authority from any claim or liability arising as a result of such use or possession. The obligations of the Lessee and the rights and discretion of the Port Authority under the Lease shall not be diminished or otherwise affected by reason of any such claim whatsoever or the result of any prosecution thereof by any claimant.

(h) The parties hereto acknowledge on January 1, 1993, Persons other than the Lessee were in use and occupancy of portions of the Lease AYB-085 Premises (such Persons being hereinafter called the "Subusers"). The Lessee hereby acknowledges that it agreed to take such portions of the Lease AYB-085 Premises as encumbered by the occupancy and use of the Subusers. It is agreed that the Lessee is the landlord of the Subusers and has and shall continue to have all the rights, responsibilities, obligations, and liabilities with respect thereto. Further, the Port Authority has heretofore pursuant to Lease AYB-085 assigned to the Lessee and hereby restates its assignment to the Lessee all of its rights, if any, as landlord of the Subusers, including

without limitation the right to terminate the rights of the Subusers with respect to the Premises and to eject or otherwise remove the Subusers from the Premises.

(i) It is recognized that the Lessee has entered into various agreements with subtenants, licensees and other Persons covering the occupancy of the space or providing for the furnishing of services in the Premises pursuant to the provisions of the Surrendered Lease and Lease AYB-085 and that the Port Authority has approved or consented to the same, all of the foregoing as to which Port Authority approval or consent has been given and which consents continue in full force and effect, being hereinafter called the "Lessee's Use Agreements". The Port Authority has no objection to the continuance in effect under the Lease of all of the Lessee's Use Agreements.

Section 2. Construction by the Lessee

It is hereby agreed that all the terms and conditions of Section 2 of Lease AYB-085 are hereby incorporated by reference and shall have the same force and effect as if set forth in this Amended and Restated Agreement of Lease in full, provided, however, it is hereby agreed and understood that from and after the Effective Date as defined in this Amended and Restated Agreement that notwithstanding the foregoing and the terms and conditions of said Section 2 the Lessee shall have no obligation or right to perform the construction work as defined in said Section 2 but that all the terms and conditions of said Section 2, including without limitation those pertaining to indemnification, assumption of risks and insurance, shall remain in full force and effect with respect to the construction work which has been performed by the Lessee prior to the Effective Date. Further, it is hereby understood and agreed that all of the terms and conditions of said Section 2, including without limitation the defined terms therein, shall be read, construed and interpreted in accordance with Lease AYB-085.

Section 2A. Additional Construction by the Lessee

It is hereby agreed that all the terms and conditions of Section 2A of Lease AYB-085 are hereby incorporated by reference and shall have the same force and effect as if set forth in this Amended and Restated Agreement of Lease in full, provided, however, it is hereby agreed and understood that from and after the Effective Date as defined in this Amended and Restated Agreement that notwithstanding the foregoing and the terms and conditions of said Section 2A the Lessee shall have no obligation or right to perform the additional construction work as defined in said Section 2A but that all the terms and conditions of said Section 2A, including without limitation those pertaining to indemnification, assumption of risks and insurance, shall remain in full force and effect with respect to the additional construction work which has been performed by the Lessee prior to the Effective Date. Further, it is hereby understood and agreed that all of the terms and conditions of said Section 2A, including without limitation the defined terms therein, shall be read, construed and interpreted in accordance with Lease AYB-085.

Section 2B. Redevelopment of the Premises and Performance of the ACO Work by the Lessee

(a) Lessee's Comprehensive Plan for the Redevelopment Work

(1) The Lessee shall, prior to its submission to the Port Authority of the plans and specifications for the Redevelopment Work, as hereinafter provided for and defined, submit to the Port Authority for its consent, the Lessee's comprehensive plan for the redevelopment of the Premises, including but not limited to renderings, layouts, locations, models, estimated commencement, milestone and completion dates, staging plans and preliminary functional plans for both the Passenger Terminal Work and Off-Premises Work as hereinafter defined; said comprehensive plan as approved by the Port Authority shall constitute the Lessee's "Comprehensive Plan" hereunder. The Lessee shall keep the Comprehensive Plan up to date and shall submit to the Port Authority for its approval all amendments, supplements or modifications thereto, which amendments, supplements or modifications shall not become effective until the same have been approved by the Port Authority.

(2) Without limiting the foregoing, the Lessee agrees that said Comprehensive Plan shall include the construction on and under the Premises of:

(i) A three (3) level main passenger terminal building (hereinafter called the "Main Terminal") and a two (2) level remote passenger terminal building (hereinafter called the "Remote Terminal") consisting of approximately 1.9 million total square feet of floor space for both buildings and all associated and related areas and facilities, including but not limited to, stairwells, stairways, escalators, elevators, and United States government inspection areas (as described in Section 74 hereof entitled "Federal Inspection");

(ii) Not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, together with all associated and related areas and facilities including without limitation passenger boarding gate lounges;

(iii) All appropriate work for the construction of general utility and mechanical equipment rooms and spaces and crawl spaces within the Main Terminal and the Remote Terminal;

(iv) All appropriate work for the construction of the Concession Areas to be made available for consumer services as more fully described and set forth in Sections 79 through 89 hereof including without limitation the construction and installation of utility lines which are to serve the said Concession Areas;

(v) The construction and installation of all appropriate utility lines, pipes, mains, drains, cables, manholes, wires, conduits and other facilities required in connection with or relating to the mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection and other systems and facilities and including all necessary relocations, and all work necessary or required to tie the foregoing into existing access stubs, including but not limited to, all necessary valves, pipes, materials, lift stations, pumps and other equipment and accessories necessary to the use and operation of the heating, cooling, electrical, water, communications, and other utility systems which are to serve the Premises;

(vi) Subject to and in accordance with paragraph (q) of this Section, the construction and installation of additions and modifications to and the relocation of the underground fuel system including but not limited to additions and modifications to and relocation of the Distribution Portion of the System and of the Airline Terminal Portion of the System located within the Premises (as such terms are defined in Section 4.021 of the General Airport Agreement) and underground pipelines, fuel mains and stubs necessary or required to tie into the Distribution Portion of the System at the Airport to accommodate and serve the Premises and all aircraft gate positions located or to be located at the Premises together with all relocations, additions and modifications to the Distribution Portion of the System at the Airport;

(vii) (aa) To the extent permitted by KIAC, all work necessary or required to construct lateral mains to tie into the Central Terminal Area ring supply lines for hot water for heating and domestic use purposes only and chilled water for air conditioning purposes only, in accordance with the requirements and specifications as set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements", provided, however, if KIAC does not so permit such work to be performed by the Lessee, such work shall be performed by KIAC or KIAC's contractors, as determined by KIAC, at the sole cost and expense of the Lessee;

(bb) The work specified in subparagraph (2)(vii)(aa) above, upon completion, will become a part of the Thermal Distribution System at the Airport and will become the property of the Port Authority or its designee and will not be part of the Premises;

(viii) All upper level and lower level roadways and all other necessary or appropriate ground and elevated roadways, ramps, sidewalks, vehicular service areas, vehicular staging areas and pedestrian circulation areas, together with all related and associated areas and facilities (the foregoing being herein sometimes called the "Premises Circulation Facilities");

(ix) All necessary or appropriate aircraft ramp and apron areas;

(x) All grading and paving of ground areas and appropriate landscaping together with all related and associated work including without limitation decorative paving of selected areas and landscaping and irrigation of unpaved areas;

(xi) The demolition of Building Nos. 56 and 57 and all other demolition and removal associated with the Redevelopment Work in accordance with applicable law, including without limitation all applicable Environmental Requirements, the foregoing to include without limitation all appropriate, required or necessary removal of all asbestos, lead and other Hazardous Substances and the handling, transporting and off-Airport disposal thereof (including, if required, disposal of asbestos in an off-Airport long-term asbestos-only disposal facility);

(xii) All taxiway access stubs, taxilanes and associated and related areas and facilities;

(xiii) The repair, restoration and reinstallation of all of the art fence entitled "Traveling by Air" located or formerly located on the Premises and the commissioning and installation of such additional art fencing at such locations identified by the Port Authority and in accordance with specifications to be provided by the Port Authority, and the installation of all necessary or required blast fences and other fencing including functional decorative fencing at locations identified by the Port Authority;

(xiv) All necessary or required work to conform to Port Authority frontage control requirements;

(xv) All necessary or required work to conform to Port Authority requirements for access to public parking areas including static and dynamic sign systems and traffic lights and other traffic control devices and systems as specified and required by the Port Authority;

(xvi) All necessary and required work to replace or relocate existing taxi dispatch booths (including without limitation telephones and radio transceiver and transponder receiving devices and other vehicle tracking and monitoring devices) and bus shelters at such locations as may be determined by the Port Authority with taxi dispatch booths and bus shelters of equal quality, features and amenities and to provide such additional like taxi dispatch booths and bus shelters as may be required to adequately serve the Premises;

(xvii) All of the following work required by or in connection with

the AirTrain:

(aa) All external Premises Circulation Facilities except for any elevated pedestrian connector; and

(bb) All interior vertical circulation areas, facilities and systems, including without limitation, escalators, elevators, stairs and passageways; and

(cc) All work to connect, extend, integrate, support and accept the AirTrain elevated pedestrian connector constructed by the Port Authority in consultation with the Lessee as provided in Section 62(f) hereof to the Main Terminal, including without limitation making the connection and integration water tight;

(xiii) All necessary and required work to provide canopies over all pedestrian waiting and crossing areas on the Premises, including without limitation, all ground transportation waiting, loading and unloading areas;

(xix) All necessary and required work to accommodate counter spaces for Ground Transportation Operators for use in accordance with Section 71 hereof entitled "Ground Transportation Services" at such locations as may be specified by the Port Authority as may reasonably be required for use as Consolidated Counters; and

(xx) All other appropriate or necessary work in connection with the foregoing clauses, including without limitation thereto, all borings, surveys, route marker signs, obstruction lights and material inspections and testing and also including all other tie-ins, temporary and otherwise, to utility lines and roadway access stubs.

All of the foregoing work set forth in this paragraph (a)(2) shall be constructed by the Lessee on the Premises and off the Premises where required and when constructed on the Premises shall be and become a part of the Premises under the Lease. All of the foregoing work and any other work which the Lessee includes in its comprehensive plan and which is consented to by the Port Authority and is to be constructed by the Lessee on the Premises (and off the Premises where required) is sometimes herein collectively referred to as the "Passenger Terminal Work."

(3) In addition to all the hereinabove mentioned, the Lessee shall include as part of the comprehensive plan submitted in accordance with paragraph (a)(1) hereof the construction of the following work which construction, however, shall not be part of the Premises under this Agreement. Said work shall include:

(i) New roadways and new Airport roads and all associated and related extensions, widenings, relocations and rehabilitation of existing Airport roads on the area shown in the shaded area on the exhibit attached hereto, hereby make a part hereof and marked "Exhibit 2B.1" (which exhibit is hereinafter called "Exhibit 2B.1" and which area is hereinafter called "Area 1") to provide recirculation roadways to the existing parking lot and the proposed new Parking Garage (as defined in Section 90 hereof) and to widen the turning radius in the area shown in stipple on Exhibit 2B.1 and to connect to certain portions of the Premises Circulation Facilities, all of the foregoing to include, without limitation, all necessary or appropriate, ramps, sidewalks and other areas and facilities related to or associated therewith, such as but not limited to, all appropriate ground lighting, lines, pipes, drains, wires, cables, manholes and conduits and other facilities and structures, all landscaping improvements and the maintenance of temporary roads and signage; all of the foregoing being sometimes hereinafter collectively called the "Off-Premises Roads";

(ii) Relocation to a location as the Port Authority may reasonably designate of all or any utility lines, pipes, mains, drains, manholes, wires, cables, conduits and other facilities located on or under the Premises or Area 1 where the Redevelopment Work is or is to be performed or for which currently or in the future the operation, maintenance, replacement or repair thereof are or maybe affected by the Redevelopment Work or the performance thereof and are required to provide utility services to the other Central Terminal Area facilities, the foregoing to include without limitation mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection and other systems and facilities including, but not limited to, all necessary valves, pipes, materials, lift stations, pumps and other equipment and accessories, provided, however, it is understood that the obligations of the Lessee under this subparagraph (3)(ii) shall terminate on the Redevelopment Work Completion Date;

(iii) The construction and installation of all appropriate utility lines, pipes, mains, drains, manholes, wires, cables, conduits, and other facilities located off the Premises required in connection with or relating to the mechanical, utility, water, electrical, storm sewer, sanitary sewer, gas, communications, security, fire alarm, fire protection, and other systems and facilities necessary to tie the Passenger Terminal Work and the Off-Premises Work into the service lines specified in subparagraph (ii) above, including, but not limited to, all necessary pipes, valves, materials, lift stations, pumps and other equipment and accessories located on, under or off the Premises;

(iv) Subject to and in accordance with paragraph (q) of this Section, the construction and installation of additions and modifications to and relocations of the underground fuel system, including but not limited to additions and modifications to

and relocations of the Distribution Portion of the System and the Airline Terminal Portion of the System located outside the Premises, if any, (as such terms are defined in Section 4.021 of the General Airport Agreement) and underground pipelines, fuel mains, and stubs necessary or required to tie into the Distribution Portion of the System at the Airport to accommodate and serve the Premises and all aircraft gate positions located or to be located at the Premises and the construction and installation of such additions and modifications to and relocations of the Distribution Portion of the System necessary or required by any changes to the Airline Terminal Portion of the System or the Distribution Portion of the System made by the Lessee, including but not limited to, transfer pumps, filter vessels and control systems associated with fuel lines T-403-1, T-403-2, T-403-3, T-408-1, T-408-2 and T-408-3;

(v) All appropriate, necessary or required demolition and removal work in accordance with applicable law, including without limitation, all applicable Environmental Requirements, the foregoing to include without limitation all appropriate, necessary or required removal of all asbestos, lead and other Hazardous Substances and the handling, transporting and off-Airport disposal thereof (including, if required, disposal of asbestos in an off-Airport long-term asbestos-only disposal facility);

(vi) All necessary or appropriate work in other areas of the Airport outside of the Premises directly impacted by the Redevelopment Work and required to be constructed in connection with other portions of the Redevelopment Work;

(xvii) All necessary or required work to conform to Port Authority frontage control requirements;

(xviii) All necessary or required work to conform to Port Authority requirements for access to public parking areas including static and dynamic sign systems and traffic lights and other traffic control devices and systems as specified and required by the Port Authority;

(ix) All necessary and required work to replace or relocate existing bus shelters at such locations as may be determined by the Port Authority with bus shelters of equal quality, features and amenities and to provide such additional like bus shelters as may be required to adequately serve the Premises;

(x) All grading and paving of ground areas and appropriate landscaping together with all related and associated work, including without limitation decorative paving of selected areas and landscaping and irrigation of the unpaved areas described in clause (i) above;

(xi) All necessary and required work to provide canopies over all pedestrian waiting and crossing areas constructed off of the Premises as part of the Redevelopment Work as hereinafter defined, including without limitation, all ground transportation waiting, loading and unloading areas;

(xii) The repair, restoration and reinstallation of all of the art fence, if any, entitled "Traveling by Air" located or formerly located on areas adjoining the Premises and the ommissioning and installation of such additional art fencing at such locations off the Premises as identified by the Port Authority and in accordance with specifications to be provided by the Port Authority, and the installation of all necessary or required blast fences and other fencing including functional decorative fencing at locations identified by the Port Authority;

(xiii) All necessary or appropriate work for the construction of aircraft taxiways and taxiway access stubs as shown in honeycomb markings on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.2" and related equipment and accessories, including without limitation, signage, pavement markings, edge lights and lead-in lights; and

(xiv) All other appropriate or necessary work in connection with the foregoing clauses, including without limitation thereto, all borings, surveys, route marker signs, obstruction lights and material inspections and testing and also including all other tie-ins, temporary and otherwise, to utility lines and roadway access stubs.

All of the foregoing in this paragraph (a)(3) shall be constructed by the Lessee off the Premises and shall not be or become a part of the Premises under the Lease. All of the foregoing work, the Distribution Portion Work and the Satellite Portion Work (as such terms are defined in paragraph (q) of this Section) and any other work which the Lessee includes in its comprehensive plan and which is consented to by the Port Authority and is to be constructed by the Lessee off the Premises is hereinafter collectively referred to as the "Off-Premises Work".

(b) Obligation to Pay for the Performance of the Section 2B Work

(1) The Lessee agrees that the performance of the design and construction of the Passenger Terminal Work as described in paragraph (a)(2) and the performance of the design and construction of the Off-Premises Work as described in paragraph(a)(3) above, including without limitation any work that may also be ACO Work, shall be at the Lessee's sole cost and expense and shall be subject to and performed in accordance with all the terms, provisions and conditions of this Lease, such design and construction of both the Passenger Terminal Work and the Off-Premises Work shall, without limiting any other term or provision of this Lease, also be in conformance with design criteria as contained in the Port

Authority Tenant Construction Review Manual as the same may be amended from time to time (such design and construction of the Passenger Terminal Work and the Off-Premises Work being sometimes hereinafter collectively referred to as the "Redevelopment Work").

(2) The Lessee agrees that the performance of the design and construction of that portion of the ACO Work that is not a part of the Redevelopment Work, the foregoing to include without limitation that work which is solely remediation work such as but not limited to the work covered by alteration applications nos. Y-7100.04 and Y-7100.05, shall be at the Lessee's sole cost and expense and shall be subject to and performed in accordance with all the terms, provisions and conditions of this Lease and shall, without limiting any other term or provision of this Lease, also be in conformance with design criteria as contained in the Port Authority Tenant Construction Review Manual as the same may be amended from time to time (such design and construction of such portion of the ACO Work being hereinafter called the "Remediation Work" and the Remediation Work and the Redevelopment Work being hereinafter collectively referred to as the "Section 2B Work").

(c) Plans and Specifications

(1) Prior to the commencement of the Redevelopment Work, the Lessee shall submit to the Port Authority for the Port Authority's approval complete plans and specifications and all required supporting information including, but not limited to, drawings, reports, calculations and computer printouts of analysis therefor and prior to the commencement of the Remediation Work, the Lessee shall submit to the Port Authority for the Port Authority's approval complete plans and specifications and all required supporting information including, but not limited to, drawings, reports, calculations and computer printouts of analysis therefor. The Port Authority may refuse to grant approval with respect to the plans and specifications if, in its opinion, any of the proposed Section 2B Work as set forth in said plans and specifications (all of which shall be in such detail as may reasonably permit the Port Authority to make a determination as to whether the requirements hereinafter referred to are met) shall:

(i) Be unsafe, unsound, hazardous or improper for the use and occupancy for which it is designed, or

(ii) Not comply with the Port Authority's requirements for harmony of external architecture of similar existing or future improvements at the Airport, or

(iii) Not comply with the Port Authority's requirements with respect to external and interior building materials and finishes of similar existing or future improvements at the Airport, or

(iv) Not provide for sufficient clearances for taxiways, runways and apron areas, or

(v) Be designed for use for purposes other than those authorized under the Agreement, or

(vi) Set forth ground elevations or heights other than those prescribed by the Port Authority, or

(vii) Not provide adequate and proper roadways and pedestrian circulation areas, or

(viii) Not comply with the building height limitations in connection with sight line requirements between the existing control tower and the Public Aircraft Facilities at the Airport, or

(ix) Not be at locations or not be oriented in accordance with the Comprehensive Plan, or

(x) Not comply with the provisions of the Basic Lease, including without limiting the generality thereof, the provisions of Section 21 of the Basic Lease providing that the Port Authority will conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, or

(xi) Permit aircraft to overhang the boundary of the Premises, except when entering or leaving the Premises, or

(xii) Be in violation or contravention of any other provisions and terms of the Lease, or

(xiii) Not comply with all applicable governmental laws, ordinances, enactments, resolutions, rules and orders, or

(xiv) Not comply with all applicable requirements of the National Board of Fire Underwriters and the Fire Insurance Rating Organization of New York, or

(xv) Not comply with the Port Authority's requirements with

respect to landscaping, or

(xvi) Not comply with the Port Authority's requirements and standards with respect to noise, air pollution, water pollution or other types of pollution, or

(xvii) Not comply with the construction limitations set forth in Exhibit 1.1, or

(xviii) Without limiting any other term or provision hereof, not comply with the Americans With Disabilities Act of 1990 and all federal rules, regulations and guidelines pertaining thereto, or

(xix) Not comply with the Port Authority's standard design details, or

(xx) Not comply with the Port Authority's plans and policies with respect to ground transportation and traffic control and frontage control within the Central Terminal Area of the Airport, or

(xxi) Not be coordinated in design, functional planning, construction or scheduling or staging with other Port Authority or tenant construction in the Central Terminal Area at the Airport including without limitation the Parking Garage, or with the Lessee's staging of the Redevelopment Work hereunder or other ongoing Airport construction projects, including without limitation the construction of the AirTrain.

(2) In addition to and without limiting the foregoing, with respect to the portion of the Redevelopment Work representing the Off-Premises Work, the Lessee's design thereof and the said plans and specifications shall be subject to the complete prior written approval of the Port Authority and the Lessee shall make all changes and modifications to the said design, plans and specifications as may be required or recommended by the Port Authority.

(d) Performance of the Section 2B Work

All the Section 2B Work shall be done in accordance with the following terms and conditions:

(1) (i) The Lessee hereby assumes the risk of loss or damage to all of the Section 2B Work prior to the completion thereof and the risk of loss or damage to all property of the Port Authority and others and the risk of personal injury and death to all Persons arising out of or in connection with the performance of the Section 2B Work. In the event of such

loss or damage, the Lessee shall forthwith repair, replace and make good the Section 2B Work and the property of the Port Authority without cost or expense to the Port Authority. The Lessee shall itself and shall also require its contractors to indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against all claims and demands, just or unjust, of third Persons (including employees, officers, and agents of the Port Authority) arising or alleged to arise out of the performance of the Section 2B Work and for all expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury or for property damage, direct or consequential, all the foregoing to include without limitation all claims and demands arising out of or in connection with any Hazardous Substance and whether they arise from the acts or omissions of the Lessee, of any contractors of the Lessee, of the Port Authority, or of third Persons, or from acts of God or of the public enemy, or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), excepting only claims and demands which result solely from affirmative wilful acts done by the Port Authority, its Commissioners, officers, agents and employees with respect to the Section 2B Work, provided, however, that the Lessee shall not be required to indemnify the Port Authority where indemnity would be precluded pursuant to the provisions of Section 5-322.1 of the General Obligations Law of the State of New York.

(ii) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(2) (i) Prior to engaging or retaining an architect or architects for the Section 2B Work, the name or names of said architect or architects shall be submitted to the Port Authority for its approval. The Port Authority shall have the right to disapprove any architect who may be unacceptable to it. All the Section 2B Work shall be done in accordance with plans and specifications to be submitted to and approved by the Port Authority prior to the commencement of the Section 2B Work. If the Lessee desires to proceed with the Section 2B Work, the Lessee shall redo and resubmit such plans and specifications until approval thereof by the Port Authority. All the Section 2B Work, including workmanship and materials, shall be of first class quality. The Lessee shall redo, replace or construct at its own cost and expense, any Section 2B Work not done in accordance with the approved plans and specifications, the terms, provisions and conditions of this Lease or any further requirements of the Port Authority.

(ii) The Lessee has advised the Port Authority that it intends to

expend not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) with respect to the Redevelopment Work and shall complete the Redevelopment Work no later than the day immediately preceding the seventh (7th) anniversary of the Effective Date.

(3) (i) Prior to entering into a contract for any part of the Section 2B Work, the Lessee shall submit to the Port Authority for its approval the names of the contractors to whom the Lessee proposes to award said contracts. The Port Authority shall have the right to disapprove any contractor who may be unacceptable to it. The Lessee shall include in all such contracts such provisions and conditions as may be reasonably required by the Port Authority. Without limiting the generality of the foregoing all of the Lessee's construction contracts shall provide as follows: "If (i) the Contractor fails to perform any of his obligations under the Contract, including his obligation to the Lessee to pay any claims lawfully made against him by any materialman, subcontractor or workman or other third Person which arises out of or in connection with the performance of the Contract or (ii) any claim (just or unjust) which arises out of or in connection with the Contract is made against the Lessee or (iii) any subcontractor under the Contract fails to pay any claims lawfully made against him by any materialman, subcontractor, workman or other third Persons which arise out of or in connection with the Contract or if in the Lessee's opinion any of the aforesaid contingencies is likely to arise, then the Lessee shall have the right, in its discretion, to withhold out of any payment (final or otherwise and even though such payments have already been certified as due) such sums as the Lessee may deem amply to protect it against delay or loss or to assume the payment of just claims of third Persons, and to apply such sums in such manner as the Lessee may deem proper to secure such protection or satisfy such claims. All sums so applied shall be deducted from the Contractor's compensation. Omission by the Lessee to withhold out of any payment, final or otherwise, a sum for any of the above contingencies, even though such contingency has occurred at the time of such payment, shall not be deemed to indicate that the Lessee does not intend to exercise its right with respect to such contingency. Neither the above provisions for rights of the Lessee to withhold and apply monies nor any exercise, or attempted exercise of, or omission to exercise such rights by the Lessee shall create any obligation of any kind to such materialmen, subcontractors, workmen or other third Persons. Until actual payment is made to the Contractor, his right to any amount to be paid under the Contract (even though such amount has already been certified as due) shall be subordinate to the rights of the Lessee under this provision."

(ii) The Lessee shall file with the Port Authority a copy of its contracts with its contractors prior to the start of the Section 2B Work and in addition shall comply with all the terms and provisions of paragraph (e) with respect to the Off-Premises Work.

(4) The Lessee shall furnish or require its architect to furnish a full time resident engineer during the construction period. The Lessee shall require certification by a licensed engineer of all pile driving data and of all controlled concrete work and such other certifications as may be requested by the Port Authority from time to time. The Lessee shall

submit all certifications and logs to the Port Authority's Resident Engineer.

(5) The Lessee agrees to be solely responsible for any plans and specifications used by it and for any loss or damages resulting from the use thereof, notwithstanding the same have been approved by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements. Notwithstanding the requirement for approval by the Port Authority of the contracts to be entered into by the Lessee or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Port Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to any contractors engaged by the Lessee or for any other matter in connection therewith and the Lessee hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claims for damages or losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any of the Section 2B Work pursuant to the contracts between the Lessee and its contractors. Any warranties contained in any construction contract entered into by the Lessee for the performance of the Section 2B Work hereunder shall be for the benefit of the Port Authority as well as the Lessee, and the contract shall so provide.

(6) The Port Authority shall have the right, through its duly designated representatives, to inspect the Section 2B Work and the plans and specifications thereof, at any and all reasonable times during the progress thereof and from time to time, in its discretion, to take samples and perform testing in any part of the Section 2B Work.

(7) The Lessee agrees that it shall deliver to the Port Authority two (2) sets of "as built"drawings of the Section 2B Work on an electronic CADD data file on a CD Rom in a format to be designated by the Port Authority, all of which shall conform to the specifications of the Port Authority (the receipt of a copy of said specifications prior to the Effective Date being hereby acknowledged by the Lessee) , and all engineering reports, engineering analysis, boring logs, survey information and engineering design calculations and operation and maintenance manuals in a comprehensive, coordinated package. The Lessee shall, during the term of the Lease, keep said digital electronic files of drawings and said electronic CADD data files current showing thereon any changes or modifications which may be made. (No changes or modifications shall be made without prior Port Authority consent.)

(8) The Lessee shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the Section 2B Work, including but not limited to the fencing of the Premises or portions thereof or other areas and the covering of open areas with asphaltic emulsion or similar materials as the Port Authority may direct.

(9) (i) Without limiting the generality of any other term or condition of this Lease, title to any soil, dirt, sand or other material on the Premises or the Airport excavated by the Lessee during the course of the Section 2B Work (all the foregoing being hereinafter called the "Excavated Material") and not used at the Premises shall vest in the Lessee upon the excavation thereof and all such Excavated Material shall be delivered and deposited by the Lessee at the Lessee's sole cost and expense to any location off the Airport in accordance with the terms and conditions of this Lease, including without limitation this Section 2B(d)(9) and all applicable Environmental Requirements. The entire proceeds, if any, of the sale or other disposition of the Excavated Material shall belong to the Lessee.

(ii) (aa) In addition to subparagraph (9)(i) above and subject to the limitation set forth in subparagraph (9)(ii)(bb) below, in its performance of the Section 2B Work the Lessee shall perform at its cost and expense all appropriate, required and necessary work for the removal of all asbestos, lead, petroleum contamination and other Hazardous Substances from the Site including without limitation the groundwater thereunder, the foregoing to include without limitation the handling, transporting and off-Airport disposal thereof in accordance with applicable law, including without limitation, all applicable Environmental Requirements (including, if required, disposal of asbestos in a long-term disposal facility at the Lessee's sole cost and expense) and all in a manner satisfactory to the Port Authority, provided, however, the foregoing shall not require the Lessee to remove from the soil in the Site those chemicals set forth with respect to soil in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.3" (hereinafter called "Exhibit 2B.3") to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil in, on and under the Site and shall not require the Lessee to remove from the ground water in, on and under the Site those chemicals set forth with respect to ground water in Exhibit 2B.3 to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for ground water in, on and under the Site and, provided, further, that in the use of any Approved Cleanup Criteria the Lessee shall comply with all requirements of all Governmental Authorities for the use thereof including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport, which letter is attached hereto as part of Exhibit 2B.3, and all the requirements of the DEC pursuant to the ACO.

(bb) It is hereby agreed that unless required by any Environmental Requirement, the Lessee shall not be required pursuant to subparagraph (9)(ii)(aa) above to remove a Hazardous Substance to the extent the presence of such Hazardous Substance in, on or under the Premises and/or the Site was the sole result of naturally occurring phenomena and such Hazardous Substance was not in whole or in part released, discharged or introduced into, on, under or about the Premises or the Site by human activity and was not in whole or in part

caused by or resulted from a release, discharge, or introduction into, on, under or about the Premises or the Site by human activity (any such naturally occurring Hazardous Substance being hereinafter called a "Naturally Occurring Hazardous Substance"), it being understood that the Lessee shall be required pursuant to said subparagraph (9)(ii)(aa) to remove any Naturally Occurring Hazardous Substance to the extent required by any Environmental Requirement.

(iii) Promptly upon final disposition of any Hazardous Substance from the Premises or the Airport in the performance of the Section 2B Work, the Lessee shall submit to the Port Authority a "Certification of Final Disposal" stating the type and amount of material disposed, the method of disposal and the owner and location of the disposal facility. The format of such certification shall follow the requirements, if any, of governmental agencies having jurisdiction as if the Port Authority were a private organization and the name of the Port Authority shall not appear on any certificate or other document as a generator or owner of such material.

(iv) In the event any Hazardous Substance is discovered in the performance of the Section 2B Work, the Lessee in reporting such Hazardous Substance shall direct such report to the attention of such individual at the subject governmental authority as the General Manager of the Airport shall require in order to assure consistency in the environmental management of the Airport.

(10) The Lessee shall pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third Persons arising out of or in connection with or because of the performance of the Section 2B Work, and shall cause its contractors and subcontractors to pay all such claims lawfully made against them, provided, however, that nothing herein contained shall be construed to limit the right of the Lessee to contest any claim of a contractor, subcontractor, materialman, workman and/or other Person and no such claim shall be considered to be an obligation of the Lessee within the meaning of this Section unless and until the same shall have been finally adjudicated. The Lessee shall use its best efforts to resolve any such claims and shall keep the Port Authority fully informed of its actions with respect thereto. Nothing herein contained shall be deemed to constitute consent to the creation of any liens or claims against the Section 2B Work, the Premises, the Site or any other area of the Airport nor to create any rights in said third Persons against the Port Authority.

(11) (i) The Lessee in its own name as insured and including the Port Authority as an additional insured, including without limitation for both premises-operations and completed operations, shall procure and maintain Commercial General Liability Insurance, including but not limited to premises-operations, products liability, broad form property damage, completed operations for a minimum of three years after the later to occur of the ACO Work Completion Date or the Redevelopment Work Completion Date, explosion, collapse and

underground property damages, personal injury (including death) and independent contractors in not less than the minimum limit set forth below, and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to subparagraphs (1) and (5) of this paragraph (d) and paragraphs (o) and (q) of this Section 2B and the obligations required of the Lessee's contractors pursuant to subparagraph (1) of this paragraph (d), and Commercial Automobile Liability Insurance covering owned, non-owned and hired vehicles in not less that the minimum limit set forth below, and Environmental Impairment Liability Insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period for the Section 2B Work and, instead of being included as an additional insured as aforesaid, including the Port Authority as an insured, as owner, and including without limitation, asbestos abatement, lead abatement, site specific to the Section 2B Work and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to paragraphs (d)(1), (o) and (q) of this Section 2B and the obligations assumed by the Lessee and its contractors pursuant to paragraph (d)(1) of this Section 2B with respect to Hazardous Substances, in not less than the limit set forth below, and such other insurance as the Port Authority may require in connection with the performance of the Section 2B Work. The Lessee may provide such insurance by requiring each contractor engaged by it for the Section 2B Work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Lessee or by a contractor engaged by it as aforesaid, not to contain any care, custody or control exclusions, and not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. In addition to the foregoing, the Lessee shall provide and maintain or shall require each contractor engaged by it for the Section 2B Work to provide and maintain property insurance coverage for the full value of such personal property and equipment, said policy of property and equipment insurance shall cover and insure against such hazards and risks as are customarily insured under such a policy and shall contain an endorsement waiving any rights of subrogation of the insurer against the Port Authority. The said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority, and shall also provide or contain an endorsement providing that the protections afforded the Port Authority thereunder with respect to any claim or action against the Port Authority by the Lessee shall be the same as the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person as if the Port Authority were the named insured thereunder, but such provision or endorsement shall not limit, vary or affect the protections afforded the Port Authority thereunder as an additional insured. In addition, each of the said policy or policies of insurance shall be endorsed to state they are primary in relation to any insurance carried or maintained by the Port Authority, including without limitation, any self-insurance, regardless of type. All the foregoing insurance requirements shall be in addition to all policies of insurance otherwise required by the

Lease.

	Minimum Limits
Commercial General Liability Combined single limit per occurrence for death, bodily injury and property damage liability:	$100,000,000.00
Commercial Automobile Liability (covering owned, non-owned and hired vehicles) Combined single limit per occurrence for death, bodily injury and property damage liability:	$25,000,000.00
Environmental Impairment Liability Combined single limit per occurrence for death, bodily injury and property for both gradual and sudden occurrences and both on-site and off-site cleanup:	$10,000,000.00

(ii) Without limiting the provisions hereof, in the event the Lessee maintains the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with all the terms and provisions hereof.

(iii) The Lessee shall also procure and maintain in effect, or cause to be procured and maintained in effect, Workers' Compensation Insurance and Employer's Liability Insurance in accordance with and as required by law and including coverage for asbestos exposure.

(iv) The insurance required hereunder in this subparagraph (11) shall be maintained in effect during the performance of the Section 2B Work and a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority at least fifteen (15) days prior to the commencement of the Section 2B Work or any portion thereof. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy, certificate and binder shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and, also, contain a valid provision or endorsement that the policy may not

be canceled, terminated, changed or modified without giving thirty (30) days' written advance notice thereof to the Port Authority and the City of New York. Each such copy and each such certificate with respect to the insurance required under this subparagraph (11) shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy or certificate shall be delivered to the Port Authority prior to the expiration of each expiring policy. The aforesaid policies of insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority agreeing not to act unreasonably hereunder. If the Port Authority at any time so requests, a certified copy of each of the policies shall be delivered to the Port Authority.

(12) (i) The Lessee shall procure and maintain Builder's Risk (All Risk) Completed Value Insurance covering the Section 2B Work during the performance thereof including material delivered to the Premises or the construction site but not attached to the realty. Such insurance shall be in compliance with and subject to the applicable provisions of Section 11 of the Lease entitled "Insurance" and shall name the Port Authority, the City of New York and the Lessee and its contractors and subcontractors as Insureds as their interests may appear and such policy shall provide that the loss shall be adjusted with and payable to the Lessee. Such proceeds shall be used by the Lessee for the repair, replacement or rebuilding of the Section 2B Work and any excess shall be paid over to the Port Authority. The policies or certificates representing insurance covered by this subparagraph (12) shall be delivered by the Lessee to the Port Authority at least thirty (30) days prior to the commencement of construction of the Section 2B Work or any portion thereof, and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and also contain a valid provision obligating the insurance company to furnish the Port Authority and the City of New York thirty (30) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least thirty (30) days before the expiration of the insurance which such policies are to renew.

(ii) The insurance covered by this subparagraph (12) shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the

carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of the said policies shall be delivered to the Port Authority.

(13) The Lessee shall be under no obligation to reimburse the Port Authority for expenses incurred by the Port Authority in connection with its normal review and approval of the original plans and specifications submitted by the Lessee pursuant to this Section. The Lessee however agrees to pay to the Port Authority upon its demand the expenses incurred by the Port Authority in connection with any additional review for approval of any changes, modifications or revisions of the original plans and specifications which may be proposed by the Lessee for the Port Authority's approval. The expenses of the Port Authority for any such additional review and approval shall be computed on the basis of direct payroll time expended in connection therewith plus 100. Wherever in this Lease reference is made to "direct payroll time", costs computed thereunder shall include a pro-rata share of the cost to the Port Authority of providing employee benefits, including, but not limited to, pensions, hospitalization, medical and life insurance, vacations and holidays. Such computations shall be in accordance with the Port Authority's accounting principles as consistently applied prior to the Effective Date.

(14) The Lessee shall prior to the commencement of construction of the Section 2B Work and at all times during such construction submit to the Port Authority all engineering studies and environmental test results with respect to the Section 2B Work and samples of construction materials as may be required at any time and from time to time by the Port Authority.

(15) The Lessee shall at the time of submitting its comprehensive plan to the Port Authority as provided in paragraph (a) hereof submit to the Port Authority its forecasts of the number of people who will be working at various times during the term of the Lease at the Premises, the expected utility demands of the Premises, noise profiles and such other information as the Port Authority may require. The Lessee shall continue to submit its latest forecasts and such other information as may be required as aforesaid as the Port Authority shall from time to time and at any time request.

(16) If the Lessee desires to perform the Section 2B Work, it shall execute and submit for the Port Authority's approval a construction application or applications in the form prescribed by the Port Authority covering the Section 2B Work or portions thereof prior to the performance of the Section 2B Work. The Lessee shall comply with all the terms and provisions of the approved construction application. In the event of any inconsistency between the terms of any construction application and the terms of this Lease, the terms of this Lease shall prevail and control. No approval nor anything contained in any approval granted by the Port Authority in connection with the Section 2B Work shall constitute a determination or indication

by the Port Authority that the Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited those of the City of New York, which may pertain to the work to be performed.

(17) Nothing contained in this Lease shall grant or be deemed to grant any contractor, architect, supplier, subcontractor or any other Person engaged by the Lessee or any of its contractors in the performance of any part of the Section 2B Work any right of action or claim against the Port Authority, its Commissioners, officers, agents and employees with respect to any work any of them may do in connection with the Section 2B Work. Nothing contained herein shall create or be deemed to create any relationship between the Port Authority and any such contractor, architect, supplier, subcontractor or any other Person engaged by the Lessee or any of its contractors in the performance of any part of the Section 2B Work and the Port Authority shall not be responsible to any of the foregoing for any payments due or alleged to be due thereto for any work performed or materials purchased in connection with the Section 2B Work.

(18) (i) Without limiting any other terms, provisions and conditions of the Lease, the Lessee understands and agrees that it shall put into effect prior to the commencement of any of the Section 2B Work an affirmative action program and Minority Business Enterprise (MBE) program and Women-owned Business Enterprise (WBE) program in accordance with the provisions of Schedule E attached hereto and hereby made a part hereof (hereinafter "Schedule E"); as used in Schedule E the term "construction work" shall apply to the Section 2B Work. The provisions of said Schedule E shall be applicable to the Lessee's contractor or contractors and subcontractors at any tier of construction as well as to the Lessee itself and the Lessee shall include the provisions of said Schedule E within all of its construction contracts so as to make said provisions and undertakings the direct obligation of the construction contractor or contractors and subcontractors at any tier of construction. The Lessee shall and shall require its said contractor, contractors and subcontractors to furnish to the Port Authority such data, including but not limited to compliance reports relating to the operation and implementation of the affirmative action, MBE and WBE programs called for hereunder as the Port Authority may request at any time and from time to time regarding the affirmative action, MBE and WBE programs of the Lessee and its contractor, contractors, and subcontractors at any tier of construction, and the Lessee shall and shall also require that its contractor, contractors and subcontractors at any tier of construction make and put into effect such modifications and additions thereto as may be directed by the Port Authority pursuant to the provisions hereof and said Schedule E to effectuate the goals of affirmative action and MBE and WBE programs.

(ii) In addition to and without limiting any terms and provisions of this Lease, the Lessee shall provide in its contracts and all subcontracts covering the Section 2B Work or any portion thereof, that:

(aa) The contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and shall undertake or continue existing programs of affirmative action to ensure that minority group persons are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeships and on-the-job training;

(bb) At the request of either the Port Authority or the Lessee, the contractor shall request such employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding and which is involved in the performance of the contract with the Lessee to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the contractor's obligations hereunder;

(cc) The contractor will state, in all solicitations or advertisements for employees placed by or on behalf of the contractor in the performance of the contract, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status;

(dd) The contractor will include the provisions of subparagraphs (18)(aa) through (18)(cc) of this paragraph (d) in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with the contract;

(ee) "Contractor" as used herein shall include each contractor and subcontractor at any tier of construction.

(iii) The Lessee in the performance of the Section 2B Work shall commit itself to and use good faith efforts to implement an extensive program to utilize Local Business Enterprises in accordance with and as set forth the schedule attached hereto, hereby made a part hereof and marked "Schedule F".

(19) The Lessee shall not commence the Section 2B Work unless and until it has met with the General Manager of the Airport, and has given him at least 72 hours advance notice of its intention to perform the Section 2B Work. Scheduling of the Section 2B Work shall be coordinated with the General Manager of the Airport or his duly authorized

representative.

(20) In connection with the performance of the Section 2B Work the Lessee shall be responsible for identifying the location of all utilities and shall prior to the commencement of any of the Section 2B Work coordinate the Section 2B Work with the New York City and Long Island One Call toll free information service (1-800-272-4480) and ascertain the location of underground utilities, if any, at the Premises and off the Premises in the vicinity where any of the Section 2B Work is to be performed. The Lessee shall provide the Port Authority with the written evidence of such coordination.

(21) In the performance of the Section 2B Work the Lessee shall not employ any contractor nor shall the Lessee or any of its contractors employ any Persons or use or have any equipment or materials or allow any condition to exist if any such shall or, in the opinion of the Port Authority, may cause or be conducive to any labor troubles at the Airport which interfere, or in the opinion of the Port Authority are likely to interfere with the operations of others at the Airport or with the progress of other construction work thereat. The determinations of the Port Authority shall be conclusive to the Lessee. Upon notice from the Port Authority, the Lessee shall immediately remove such contractor or withdraw or cause its contractors to withdraw from the Airport, the Persons, equipment or materials specified in the notice and replace them with unobjectionable contractors, Persons, equipment and materials and the Lessee shall or shall cause its contractor to immediately rectify any condition specified in the notice. In the event of failure by the Lessee or any of its contractors to immediately comply with the requirements of this subparagraph (whether or not such failure is due to the Lessee's fault), the Port Authority shall have the right to suspend the Lessee's right to perform the Section 2B Work without prior notice; when the labor troubles shall be so settled that such interferences or the danger thereof no longer exists, the Port Authority, by notice to the Lessee, shall reinstate said right on all the same terms and conditions as before the suspension. "Labor troubles" shall mean and include strikes, boycotts, picketing, work-stoppages, slowdowns, complaints, disputes, controversies or any other type of labor trouble, regardless of the employer of the Person involved or their employment status, if any.

(e) Additional Requirements for Performance of the Off-Premises Work

In addition to and without limiting the terms and conditions set forth in paragraph (d) above, the Lessee hereby specifically agrees that notwithstanding the Port Authority's approval of any construction application the Lessee shall, as directed by the Port Authority, design and make such changes or modifications in the Off-Premises Work as may be required by the Port Authority, which changes and modifications will become a part of the construction application. Furthermore, the Off-Premises Work will be constructed in accordance with and subject to any conditions which may be imposed by the General Manager of the Airport.

(f) Provisional Approvals

The Lessee may wish to commence construction of portions of the Redevelopment Work prior to the approval by the Port Authority of its complete plans and specifications for the same as required in this Section and if the Lessee does it shall submit a written request to the Port Authority setting forth the work it proposes to then do. The Port Authority shall have full and complete discretion as to whether or not to permit the Lessee to proceed with said work. Further, the Lessee may wish to commence construction of portions of the Remediation Work prior to the approval by the Port Authority of its complete plans and specifications for the same as required in this Section and if the Lessee does it shall submit a written request to the Port Authority setting forth the work it proposes to then do. The Port Authority shall have full and complete discretion as to whether or not to permit the Lessee to proceed with said work. If the Port Authority has no objection to the Lessee's proceeding with the work, it shall do so by writing a letter to the Lessee to such effect. If the Lessee performs the work covered by said letter, it agrees all such work shall be performed subject to and in accordance with all of the provisions of the approval letter and subject to and in accordance with the following terms and conditions:

(1) The performance by the Lessee of the work covered by any request as aforesaid will be at its sole risk. Until the complete plans and specifications for the Redevelopment Work have been approved by the Port Authority or if the approval thereof calls for modifications or changes in the work undertaken by the Lessee under any approval granted by the Port Authority pursuant to this paragraph (f), the Lessee will, as directed by the Port Authority, at its sole cost and expense, either restore and rebuild the area affected to a condition of equal function, utility, efficiency and capacity as that existing prior to the commencement of any such work and as required and approved by the Port Authority or make such modifications and changes in any such work as may be required by the Port Authority. Until the complete plans and specifications for the Remediation Work have been approved by the Port Authority or if the approval thereof calls for modifications or changes in the work undertaken by the Lessee under any approval granted by the Port Authority pursuant to this paragraph (f), the Lessee will, as directed by the Port Authority, at its sole cost and expense make such modifications and changes in any such work as may be required by the Port Authority.

(2) Nothing contained in any approval hereunder shall constitute a determination or indication by the Port Authority that the Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited to those of the City of New York, which may pertain to the work to be performed.

(3) The approved work will be performed in accordance with and subject to the terms, conditions, indemnities and provisions of the Lease covering the Section 2B Work and the Redevelopment Work or the Remediation Work, as the case shall be, and with the

terms, conditions, indemnities and provisions of any construction application which the Port Authority may request the Lessee to submit even though such construction application may not have, at the time of the approval under this paragraph (f), been approved by the Port Authority.

(4) No work under any such approval shall affect or limit the obligations of the Lessee under all prior approvals with respect to its construction of the Section 2B Work.

(5) The Lessee shall comply with all requirements, stipulations and provisions as may be set forth in the letter of approval.

(6) In the event that the Lessee shall at any time during the construction of any portion of the Section 2B Work under the approval granted by the Port Authority pursuant to this paragraph (f) fail, in the opinion of the General Manager of the Airport, to comply with all of the provisions of the Lease with respect to such work, the construction application or the approval letter covering the same or be, in the opinion of the said General Manager of the Airport, in breach of any of the provisions of the Lease, the construction application or the approval letter covering the same, the Port Authority shall have the right, acting through said General Manager of the Airport, to cause the Lessee to cease all or such part of the Section 2B Work as is being performed in violation of the Lease, the construction application or the approval letter. Upon such written direction from the General Manager of the Airport the Lessee shall promptly cease construction of the portion of the Section 2B Work specified. The Lessee shall thereupon submit to the Port Authority for its written approval the Lessee's proposal for making modifications, corrections or changes in or to the Section 2B Work that has been or is to be performed so that the same will comply with the provisions of this Lease, the construction application and the approval letter covering the Section 2B Work. The Lessee shall not commence construction of the portion of the Section 2B Work that has been halted until such written approval has been received.

(7) It is hereby expressly understood and agreed that neither the Resident Engineer nor the field engineer(s) mentioned in paragraph (g) below has any authority to approve any plans and specifications of the Lessee with respect to the Section 2B Work, to approve the construction by the Lessee of any portion of the Section 2B Work or to agree to any variation by the Lessee from compliance with the terms of the Lease, or the construction application or the approval letter with respect to the Section 2B Work. Notwithstanding the foregoing, should the Resident Engineer or any field engineer give any directions or approvals with respect to the Lessee's performance of any portion of the Section 2B Work which are contrary to the provisions of the Lease, the construction application or the approval letter, said directions or approvals shall not affect the obligations of the Lessee as set forth herein nor release or relieve the Lessee from strict compliance therewith.

(8) It is hereby further understood and agreed that the Port Authority

has no duty or obligation of any kind whatsoever to inspect or police the performance of the Section 2B Work by the Lessee and the rights granted to the Port Authority hereunder shall not create or be deemed to create such a duty or obligation. Accordingly, the fact that the General Manager of the Airport has not exercised the Port Authority's right to require the Lessee to cease its construction of all or any part of the Section 2B Work shall not be or be deemed to be an agreement or acknowledgment on the part of the Port Authority that the Lessee has in fact performed such portion of the Section 2B Work in accordance with the terms of the Lease, the construction application or the approval letter nor shall such fact be or be deemed to be a waiver by the Port Authority from the requirement of strict compliance by the Lessee with the provisions of the Lease, the construction application and the approval letter with respect to such work.

(9) Without limiting the discretion of the Port Authority hereunder, the Port Authority hereby specifically advises the Lessee that even if the Port Authority hereafter in the exercise of its discretion wishes to grant approvals under this paragraph (f), it may be unable to do so, so as to permit the Lessee to continue work without interruption following its completion of the work covered by any prior approval hereunder. The Lessee hereby acknowledges that if it commences work pursuant to this paragraph (f) it shall do so with full knowledge that there may not be continuity by it in the performance of its Section 2B Work under the procedures of this paragraph (f).

(10) No prior approval of any work in connection with the Section 2B Work shall create or be deemed to create any obligation on the part of the Port Authority to permit subsequent work to be performed in connection therewith prior to the approval by the Port Authority of the Lessee's complete plans and specifications therefor. It is understood that no such prior approval shall release or relieve the Lessee from its obligation to submit complete plans and specifications for the Section 2B Work and to obtain the Port Authority's approval of the same as set forth in paragraphs (c) and (d) hereof. It is further understood that in the event the Lessee elects not to continue to seek further approval letter(s) pursuant to this paragraph (f), the Port Authority shall have the right to suspend the obligations of the Lessee to restore the area with respect to the Redevelopment Work and to make modifications and changes to the Section 2B Work as set forth in subparagraph (1) above until the Port Authority shall have approved the complete plans and specifications for the Section 2B Work in accordance with paragraph (c) hereof.

(g) Commencement of Section 2B Work and Assignment of Port Authority Field Engineer

The Lessee will give the General Manager of the Airport at least 72 hours advance notice prior to the commencement of construction. The Port Authority will assign to the Section 2B Work a full time field engineer or engineers during such time that any Section 2B Work is being performed pursuant to paragraph (f) hereof and may assign to the Section 2B Work

a full time field engineer or engineers during any time that no Section 2B Work is being performed pursuant to paragraph (f) hereof. The Lessee shall pay to the Port Authority for the services of said engineer or engineers, the sum of Seven Hundred Five Dollars and No Cents ($705.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2000; and the sum of Seven Hundred Twenty Dollars and No Cents ($720.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2001; and the sum of Seven Hundred Thirty-five Dollars and No Cents ($735.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2002; and the sum of Seven Hundred Fifty Dollars and No Cents ($750.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2003; and the sum of Seven Hundred Sixty-five Dollars and No Cents ($765.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2004; and the sum of Seven Hundred Eighty Dollars and No Cents ($780.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2005; and the sum of Seven Hundred Ninety-five Dollars and No Cents ($795.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the calendar year 2006; and for each and every calendar year thereafter, the rate that the Port Authority shall charge other Aircraft Operators at the Airport for the services of such engineer or engineers during such calendar year for each day or part thereof that the engineer or engineers are so assigned for such calendar year, provided, however, and notwithstanding the foregoing, in the event any such field engineer shall be so assigned for a half-day or less, then the rate the Lessee shall pay to the Port Authority for such day for such engineer shall be equal to one half of the applicable daily rate set forth above for such engineer. The Port Authority shall bill the Lessee for the services of said field engineer(s) not less frequently than once a month. Nothing contained herein shall affect any of the provisions of paragraph (n) hereof or the rights of the Port Authority thereunder.

(h) Additional Environmental Requirements

(1) The Section 2B Work shall be constructed in such a manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the Premises by the Lessee and from the operations of the Lessee under this Agreement. Accordingly, and in addition to all other obligations imposed on the Lessee under this Agreement and without diminishing, limiting, modifying or affecting any of the same, the Lessee shall be obligated to construct as part of the Section 2B Work hereunder such structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the foregoing and each of the foregoing shall be and become a part of the Section 2B Work hereunder.

(2) Notwithstanding the provisions of subparagraph (1) above and in

addition thereto, the Port Authority hereby reserves the right from time to time and at any time during the term of the Lease to require the Lessee, subsequent to the completion of the Section 2B Work to design and construct at its sole cost and expense such further reasonable structures, fences, equipment, devices and other facilities as maybe necessary or appropriate to accomplish the objectives as set forth in the first sentence of subparagraph (1) hereof. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. All other provisions of this Section with respect to the Section 2B Work shall apply and pertain with like effect to any work which the Lessee is obligated to perform pursuant to this paragraph (h) and upon completion of each portion of such work it shall be and become a part of the Premises.

(i) Title to Section 2B Work

Except as set forth in paragraph (a)(2)(vii) hereof and paragraph (q)(2)(vi), title to all the Section 2B Work shall pass to the City as the same or any part thereof is erected, constructed or installed and the same except as set forth in paragraphs (a)(2)(vii), (a)(3) and (l) hereof shall be and become a part of the Premises hereunder if located on the Premises. The foregoing provisions of this paragraph (i) shall not affect the risks and obligations assumed by the Lessee hereunder nor release the Lessee from the performance of its rebuilding and restoration obligations set forth in this Section 2B.

(j) Continuing Operations

The Lessee acknowledges that it will be continuing its operations at the Premises under the Lease during the period of time it is performing the Section 2B Work hereunder. The Lessee further acknowledges that this may involve among other things inconvenience, noise, dust, interference and disturbance to the Lessee in its operations at the Premises as well as to its customers, patrons, invitees and employees and possibly other risks as well. The Lessee hereby expressly assumes all of the foregoing risks and agrees that there will be no reduction or abatement of any of the rentals, fees or charges payable by the Lessee under the Lease or otherwise on account of its performance of the Section 2B Work and that the performance of the Section 2B Work shall not constitute an eviction or constructive eviction of the Lessee nor be grounds for any abatement of rents, fees or charges payable by the Lessee under the Lease or otherwise nor give rise to or be the basis of any claim or demand by the Lessee against the Port Authority, its Commissioners, officers, employees or agents for damages, consequential or otherwise.

(k) Minimization of Disruption of and Coordination with Other Airport Operations, Activities and Construction:

(1) The Lessee acknowledges that the Port Authority as well as other users, lessees, tenants, airport patrons and invitees and others will be continuing their operations in the Central Terminal Area during the period of time the Lessee is performing the Section 2B Work hereunder and that this will involve among other things inconvenience, noise, dust, interference and disturbance to said operations and possibly other risks as well. The Lessee further acknowledges that the Section 2B Work hereunder will impact traffic flow and control on the roadways in the CTA as well as the terminal frontage roads in front of the Premises and the use thereof by customers, patrons, invitees and employees. The Lessee hereby expressly assumes all of the foregoing risks. Without limiting the foregoing, the Lessee shall and expressly hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Section 2B Work and each portion thereof in such a manner so as to minimize the impact and any disruption resulting therefrom on said operations and on traffic control and traffic flow in the CTA. The Lessee shall, without limiting any other term or provision hereof, communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users, lessees, tenants, airport patrons, invitees and others in all aspects of the Section 2B Work, and the Lessee shall coordinate and work in harmony with all said Persons, including without limitation the users and occupants of the Premises and Port Authority contractors. The Lessee shall also communicate and cooperate (and require each of its contractors to communicate and cooperate) with all ground transportation operators and providers including all taxi, limousine and bus operators throughout the entire period of time of the performance of the Section 2B Work. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for minimization of disruption and for contractor cooperation, communication and coordination.

(2) The Lessee shall perform and schedule and shall require each of its contractors and subcontractors to perform and schedule the Section 2B Work with a high degree of coordination with the Port Authority's plans and schedules for the construction of the AirTrain, the Parking Garage and the plans and schedules for utility work at the Airport and the Lessee shall at all times during the construction of the AirTrain, the Parking Garage and such utility work cooperate and communicate and shall require each of it contractors and subcontractors to cooperate and communicate with the Port Authority and the Port Authority's contractors, including without limitation, the Parking Garage Contractor(s), the contractor for the AirTrain and the contractor(s) performing such utility work. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for contractor cooperation, communication and coordination.

(3) The Lessee acknowledges that the Section 2B Work may impact on the fuel distribution system at the Airport as well as other utilities on or adjoining the Airport and that the Section 2B Work may disrupt or interfere with or interrupt the operation and performance of such utilities. The Lessee hereby expressly assumes all of the risks from such disruption, interference and interruption. Without limiting the foregoing, the Lessee shall and expressly

hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Section 2B Work and each portion thereof in such a manner so as to minimize the disruption, interference and interruption resulting therefrom on said utilities. The Lessee shall, without limiting any other term or provision hereof, determine which utilities may be affected by the performance of the Section 2B Work and communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users of such utilities in all aspects of the Section 2B Work, and the Lessee shall coordinate and work in harmony with all said Persons. The Lessee shall include in each of its contracts and subcontracts covering the Section 2B Work or any portion thereof the foregoing requirements for minimization of disruption, interference and interruption and for contractor cooperation, communication and coordination.

(4) Temporary Construction Program:

In order to ensure appropriate levels of service to the users, occupants, and Airport patrons and others using the Airport during the performance of the Section 2B Work, the Lessee, not less than sixty (60) days prior to the commencement of any portion of the Section 2B Work and the implementation of each construction stage, shall prepare and submit to the Port Authority for its prior approval a temporary construction program (including, but not limited to, drawings, sketches, schedules and narrative descriptions) which sets forth plans for the continuing provision of all patron services and landside operations at or adjacent to the Premises. Without limiting any other term or provision hereof, any temporary construction is and shall be subject to paragraph (n) below, including, but not limited to, certifications of the Lessee and the Lessee's licensed architect or engineer and the issuance of a certificate of completion therefor by the Port Authority.

(5) Without limiting any other term or provision hereof, the Lessee shall complete the design and perform the Section 2B Work in a manner consistent with roadway, frontage and utility improvements of the Port Authority at the Airport and with the construction of the AirTrain.

(6) In the performance of the Section 2BWork, the Lessee shall not exacerbate the environmental condition of the Premises or the Airport.

(l) Utility Lines

(1) The Port Authority shall have no responsibility for bringing to the Premises or the Site any utility service lines for the supply of cold water, electric power, and sanitary and storm sewers, or any other utility or service lines, except for the utility service lines that may be serving the Premises on the Effective Date. If the Lessee determines that it will require that additional utility service lines be brought to the Premises or that the capacity of one or more of the existing utility service lines serving the Premises be greater than the capacity which

existed on the Effective Date, the Lessee shall submit to the Port Authority for the Port Authority's approval a tenant alteration application covering the work to provide the additional utility service line capacity to the Premises (hereinafter called the "Off-Site Utility Service Line Work") which work when and if approved by the Port Authority shall be performed by the Lessee at the Lessee's sole cost and expense in accordance with all the terms and provisions of this Section, provided, however, that the Off-Site Utility Service Line Work shall not be or become a part of the Premises hereunder.

(2) The Lessee understands that there may be communications and utility lines and conduits located on or under the Premises which do not, and may not in the future, serve the Premises and are located on or under the Premises where the Redevelopment Work is or is to be performed or for which currently or in the future the operation, maintenance, replacement, repair are or maybe affected by the Redevelopment Work or the performance thereof. The Lessee agrees at its sole cost and expense, if directed by the Port Authority so to do, to relocate and reinstall such communications and utility lines and conduits on the Premises or off the Premises as directed by the Port Authority and to restore all affected areas (such work being hereinafter collectively called the "Relocation Work"), provided, however, it is understood that the obligations of the Lessee under this paragraph (l)(2) shall terminate on the Section 2B Work Completion Date. The Lessee shall perform the Relocation Work subject to and in accordance with all the terms and provisions of this Section and the Relocation Work shall be and become a part of the Redevelopment Work, it being understood, however, that the Relocation Work shall not be or become a part of the Premises hereunder.

(3) In the event KIAC does not permit the Lessee to relocate or perform any other work in connection with the TDS (including without limitation the lateral mains and heat exchangers) constituting a portion of the Redevelopment Work, such relocation and other work shall be performed by KIAC or KIAC's contractors, as determined by KIAC, at the sole cost and expense of the Lessee. Such work, upon completion, will become a part of the TDS at the Airport and will become the property of the Port Authority or of its designee and will not be a part of the Premises.

(m) Dewatering

Prior to the commencement of any of the Section 2B Work, the Lessee shall, at its sole cost and expense, obtain from the DEC and maintain in effect its own dewatering permit and its own New York State Pollution Discharge Elimination System (SPDES) construction permit or the DEC equivalent thereof in the Lessee's own name covering the Section 2B Work (which dewatering and construction permits are herein called "American's Permits") for the removal of groundwater and discharge elimination in connection with all or any of the Section 2B Work. Maximum flow from the dewatering systems shall not exceed permissible limits defined in American's Permits. The Lessee shall comply with all the terms and conditions of American's Permits and with any and all additional requirements of the DEC and notwithstanding anything in

American's Permits to the contrary, the use of American's Permits shall not violate or be the cause of the violation of any existing and future dewatering or SPDES permits at the Airport. In the event that the projected zone of influence of any planned dewatering system is found to extend into any area outside of the Premises or the Site, the Lessee shall notify the Port Authority by submitting to the Geotechnical Unit of the Port Authority the proposed dewatering design for review and approval.

(n) Completion of the Section 2B Work

(1) When the Redevelopment Work is substantially completed and ready for use, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that the Redevelopment Work has been constructed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter the Redevelopment Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee. The Lessee shall not use or permit the use of the Redevelopment Work for the purposes set forth in the Lease until such certificate is received from the Port Authority, and the Lessee shall not use or permit the use of the Redevelopment Work or any portion thereof even if such certificate is received if the Port Authority states in any such certificate that the same cannot be used until other specified portions are completed.

(2) The term "Redevelopment Work Completion Date" for the purposes of the Lease shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of this paragraph (n) after the substantial completion of the Redevelopment Work.

(3) In addition to and without affecting the obligations of the Lessee under the preceding subparagraph (1), when an integral and material portion of the Redevelopment Work is substantially completed or is properly usable the Lessee may advise the Port Authority to such effect and may deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Redevelopment Work has been constructed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, and specifying that such portion of the Redevelopment Work can be properly used even though the Redevelopment Work has not been completed and that the Lessee desires such use. The Port Authority may in its

sole discretion deliver a certificate to the Lessee with respect to each such portion of the Redevelopment Work permitting the Lessee to use such portion thereof for the purposes set forth in the Lease. In such event the Lessee may use such portion subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee, and subject to the risks as set forth in paragraph (f) hereof in the event that the Port Authority shall not have then approved the complete plans and specifications for the Redevelopment Work. Moreover, at any time prior to the issuance of the certificate required in subparagraph (1) above for the Redevelopment Work, the Lessee shall promptly upon receipt of a written notice from the Port Authority cease its use of such portion of the Redevelopment Work which it had been using pursuant to permission granted in this subparagraph (3).

(4) When the ACO Work is completed, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that the ACO Work has been completed in accordance with the approved plans and specifications therefor and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation, the ACO and that the Lessee has obtained a no further action letter from the DEC for the Premises and for the ACO Work. Thereafter the ACO Work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee and the Lessee's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect the ACO Work and any liability therefor shall be borne by the Lessee. The Lessee shall not shut down or remove any remediation system or Remediation Work until such certificate is received from the Port Authority.

(5) The term "ACO Work Completion Date" for the purposes of the Lease shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (4) of this paragraph (n) after the completion of the ACO Work and the "Section 2B Work Completion Date" shall mean the later to occur of the Redevelopment Work Completion Date or the ACO Work Completion Date.

(6) In addition to and without affecting the obligations of the Lessee under the preceding subparagraph (4), when an integral and material portion of the Remediation Work is completed to the satisfaction of the Port Authority and the DEC and the Lessee desires to shut down and/or remove any of such portion of the Remediation Work the Lessee may advise the Port Authority to such effect and may deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Remediation Work has been completed in accordance with the approved plans and specifications and the provisions of the Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders,

including without limitation the ACO, and that the Lessee has received permission from the DEC to shut down and/or remove, as the case shall be, such portion of the Remediation Work and specifying that such portion of the Remediation Work can be properly shut down or removed even though the ACO Work has not been completed and that the Lessee desires that such portion of the Remediation Work be removed and/or shut down. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to each such portion of the Remediation Work permitting the Lessee to shut down and/or remove such portion thereof. In such event the Lessee may shut down or remove such portion subject to the condition that all risks thereafter with respect to the performance, construction, installation, removal and shut down of the same and any liability therefor for negligence or other reason shall be borne by the Lessee, and subject to the risks as set forth in paragraph (f) hereof in the event that the Port Authority shall not have then approved the complete plans and specifications for the Remediation Work. Moreover, at any time prior to the issuance of the certificate required in subparagraph (4) above for the ACO Work, the Lessee shall promptly upon receipt of a written notice from the Port Authority reinstall and/or turnon, as such notice shall require, such portion of the Remediation Work.

(o) (1) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO or any approval by the Port Authority, the Lessee on its own behalf and on behalf of its predecessors, successors, assigns and insurers agrees to assume all responsibility for and to forever remise, release, discharge, hold harmless, reimburse and indemnify the Port Authority, its Commissioners, officers, employees and representatives from and against, including without limitation reimbursing the Port Authority for its costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) incurred in connection with the defense of, any and all past, present and future Liabilities whatsoever on account of, arising or alleged to arise out of, or in any way related to or in connection with, or caused by or resulting from, any Risk-based Clean-up, Environmental Requirement or Environmental Damages related to the Section 2B Work (all the foregoing to include without limitation the compliance with and/or violation of any such Environmental Requirement, the investigation, remediation, excavation, removal, clean-up, management, encapsulation, containment, abatement, treatment, monitoring, transportation, disposal, release, spill, deposit, emission, migration, seepage, leakage, discharge, handling, and storage of Hazardous Substances, the exacerbation of contamination, the cost of demolition and rebuilding of any improvements on the Premises and/or the Site, any increased construction costs and expenses, any construction delays, the performance of any dewatering or discharging by the Lessee and the use of American's Permits) or arising or alleged to arise out of, or in any way related to, a breach or default of the Lessee's obligations under this paragraph (o) or a breach or default of the Lessee's obligations under this Section 2B with respect to any Hazardous Substance or any Environmental Requirement including without limitation all costs and expenses (including without limitation, those of Port Authority's staff) in enforcing the provisions thereof, and whether any of the foregoing arise out of any Hazardous Substance on the Premises prior to or after the effective date

of the letting of the Premises to the Lessee under the Lease or on the Site prior to or after the effective date of the letting of the Premises to the Lessee under the Lease or out of the acts or omissions of the Lessee or of the Port Authority or of the contractors of the Lessee or of the Port Authority or of third Persons or out of the acts of God or the public enemy or otherwise, provided, however, if and only if an indemnity claim or demand is made by a third Person against the Port Authority and such claim or demand (i) is for indemnification by the Port Authority of the fault of such third Person, (ii) arises solely pursuant to a written agreement voluntarily entered into by the Port Authority with such third Person after the Effective Date (the "Voluntary Agreement"), and (iii) other than the Voluntary Agreement there is no past, existing or future obligation whatsoever whether arising at or pursuant to law, equity, contract, contribution, litigation or otherwise for the Port Authority to in part or in whole so indemnify such third Person for such claim or demand, then and only if such claim and demand meets all the criteria set forth in the foregoing items (i), (ii) and (iii) the Lessee shall not be obligated pursuant to this paragraph (o) to indemnify the Port Authority for such claim or demand. If so directed, the Lessee shall at its own expense defend any suit based upon the foregoing and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(2) Nothing contained in nor not contained in this paragraph (o) shall nor shall be deemed to limit the generality thereof, except, however, it is hereby agreed that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (o) where such indemnity is precluded by statute.

(p) It is hereby agreed and understood that effective as of September 24, 1998 Lease AYB-085 shall be and be deemed to have been amended and supplemented to include this Section 2B and all the terms, provisions, covenants and conditions of this Section 2B shall and shall be deemed to be a part of Lease AYB-085 from and after September 24, 1998.

(q) (1) The following terms when used in this paragraph (q) shall have the respective meanings given below:

(i) "Abandoned Fuel Lines" shall mean any portion of the System which is taken out of service as part of the Fuel Lines Work and is abandoned in place or is abandoned and removed from the Airport as a part of the Fuel Lines Work.

(ii) "Acceptance Date" shall mean with respect to each portion of the Distribution Portion Work, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the Distribution Portion Work and shall mean with respect to each portion of the

Satellite Portion Work, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the Satellite Portion Work.

(iii) "Affected Distribution Lines" shall mean the Premises Distribution Lines and the Non-Premises Distribution Lines.

(iv) "Airport Fueling Agreements" shall mean the General Airport Agreement (which agreement is one of several general airport agreements which have been entered into by the Port Authority with other Aircraft Operators at the Airport and is together with the other general airport agreements commonly known as the "Dewey Leases"), the other Dewey Leases and any other agreements covering aircraft fueling at the Airport which are contemplated by the Dewey Leases, it being understood and agreed that the term "Dewey Leases" shall continue to include such leases upon the expiration thereof as the same may continue to be operative.

(v) "Airline Terminal Portion Work" shall mean the New Isolation Valves, all portions of the Fuel Lines Work located on the demand side of the New Isolation Valves such as but not limited to underground pipe lines, hydrant boxes and related facilities and appurtenances (except for hydrant valves), and all other Fuel Lines Work that is performed on the Premises and that is not Distribution Portion Work.

(vi) "Distribution Portion Work" shall mean (x) that portion of the Fuel Lines Work which is performed on that portion of the Distribution Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) that shall not become a portion of the Redesignated Airline Terminal Portion of the System, (y) the New Non-Premises Distribution Lines (as defined in subparagraph (2) hereof), and (z) all hydrant valves installed as part of the Fuel Lines Work.

(vii) "Fuel Line Risks" shall mean any and all risks, costs, expenses, damages, responsibilities and liabilities arising out of, in connection with or resulting from the Fuel Lines Work, the New System Components, the Inert Fuel Lines or the Abandoned Fuel Lines, including but not limited to, each Warranty, all Defects (as such terms are defined in subparagraph (x) hereof), the failure to have, or the inclusion of (whether proper or improper), any maintenance, repair, replacement, operation or other costs or expenses incurred in connection with the New System Components, the Abandoned Lines or the Inert Fuel Lines included in the System Costs, or the failure or refusal of the Users or any of them to pay any such costs or expenses, or the failure to obtain the agreement or approval of the Other Users for the Fuel Lines Work, including without limitation the payment of the costs thereof and its design.

(viii) "Fuel Lines Work" shall have the meaning set forth in subparagraph (2) hereof.

(ix) "Inert Fuel Lines" shall mean the Distribution Portion of Premises Distribution Lines 403-3 and 408-3 (as shown on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B.4" (which exhibit is herein referred to as "Exhibit 2B.4") which as part of the Fuel Lines Work are capped, rendered inert and taken out of service but are not abandoned.

(x) "New Isolation Valves" shall mean all of the isolation valves to be constructed and installed by the Lessee in proposed Isolation Valve Vault IW-C6 as shown on Exhibit 2B.4 with respect to Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 as shown on Exhibit 2B.4 as part of the Fuel Lines Work.

(xi) "New System Components" shall collectively mean the Airline Terminal Portion Work, the Distribution Portion Work and the Satellite Portion Work.

(xii) "Non-Premises Distribution Lines" shall mean all of those distribution fuel lines identified on Exhibit 2B.4 as Line 401-1, Line 401-2, Line 401-3, Line 409-01, Line 409-02 and Line 409-03 as such Lines recommence at the dike wall of the Satellite Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) and their related facilities and appurtenances.

(xiii) "Other Users" shall mean all Users except for the Lessee.

(xiv) "Permitted Modification" shall mean a modification, relocation, alteration, addition, replacement or capital improvement made to the System by any Person, provided, however, that (i) the costs and expenses of such modification, relocation, alteration, addition, replacement or capital improvement are not includable or included in Systems Costs by reason that one or more persons have agreed to pay for such costs and expenses (which person may be one of the Users and if so such agreement to pay such costs and expenses has not been made by such person pursuant to the Airport Fueling Agreements) or was performed by or on behalf of the Port Authority and is not "An Additional Facility Improvement" (as such term is defined in Section 4.021 of the General Airport Agreement) and/or the Port Authority has not proposed to the Lessee or the other Basic Aircraft Operators (as such term is used in Section 12.14 of the General Airport Agreement) that such modification, relocation, alteration, addition, replacement or capital improvement be made to the Distribution Portion of the System pursuant to Section 4.021 K. of the General Airport Agreement and/or is any other work which is not included or includable in System Costs pursuant to the Dewey Leases and (ii) such modification, relocation, alteration, addition, replacement or capital improvement shall have been

approved or performed by the Port Authority.

(xv) "Premises Distribution Line" shall mean any of and "Premises Distribution Lines" shall mean all of those distribution fuel lines identified as Line 403-1, Line 403-2, Line 403-3, Line 408-01, Line 408-02 and Line 408-03 on Exhibit 2B.4 as such Lines recommence at the dike wall of the Satellite Portion of the System and their related facilities and appurtenances.

(xvi) "Redesignation Date" shall mean with respect to each Premises Distribution Line the date that the Lessee shall first commence any of the Fuel Lines Work with respect to such Premises Distribution Line.

(xvii) "Redesignated Airline Terminal Portion of the System" shall mean all portions of Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 existing prior to the commencement of the Fuel Lines Work and located on the demand side of the place where New Isolation Valves are to be installed and all portions of Premises Distribution Lines 403-3 and 408-3 located on the demand side of the points identified as the "Distribution Line End Points" on Exhibit 2B.4 where the caps are to be installed on such Lines as part of the Fuel Lines Work but the Redesignated Airline Terminal Portion of the System shall not include such caps.

(xviii) "Satellite Portion Work" shall mean that portion of the Fuel Lines Work, if any, that is performed at the Satellite Portion of the System.

(xix) "System Operator" shall mean Ogden New York Services, Inc., the Port Authority's independent contractor presently operating the System, or any other Person who shall operate, repair or maintain the System pursuant to the Dewey Leases.

(xx) "System Costs" shall mean all costs and expenses incurred in connection with the System, including without limitation capital, operation, maintenance and repair costs and expenses, paid or to be paid for collectively by the Users pursuant to the Airport Fueling Agreements (including without limitation Sections 4.02 and 4.021 of the Dewey Leases).

(xxi) "System License" shall mean the Major Petroleum Facility License issued by the New York State Department of Environmental Conservation bearing license number 2-2380 covering the bulk storage area (as such term is used in the General Airport Agreement), and each and every successor or extension to or replacement of such license and any other license, registration or permit covering or with respect to the bulk storage area, the Satellite Portion or the Distribution Portion required by any Environmental Requirement.

(xxii) "Users" shall mean any Persons who use the System or are obligated (whether by agreement or otherwise) to pay any System Costs.

(2) As part of the Lessee's Redevelopment Work, the Lessee has advised the Port Authority that it desires to relocate and abandon portions of the Affected Distribution Lines located on the Premises as well as make certain replacements and modifications to the Satellite Portion of the System and other portions of the Distribution Portion of the System as shall be required, necessary or desirable for such relocation and abandonment (any work performed on the System and any replacements and abandonment of the System to be performed by the Lessee as part of the Redevelopment Work and which may be approved by the Port Authority pursuant to this Section and as the same may be approved by the Port Authority being herein referred to as the "Fuel Lines Work"). The proposed relocation and abandonment work includes among other items the construction of new replacement distribution fuel lines in connection with the Lessee's proposed construction of a new sewer line in the vicinity of proposed Isolation Valve Vault IW-C6 and in connection with the Lessee's proposed construction of a tunnel (which new distribution fuel lines which exclusively serve the Premises and their related facilities and appurtenances are herein called the "New Premises Fuel Lines" and which new distribution fuel lines which do not serve the Premises and their related facilities and appurtenances are herein called the "New Non-Premises Distribution Lines"), the capping, abandonment and removal of certain portions of the Affected Distribution Lines, and the construction of a new isolation valve vault in the location shown on Exhibit 2B.4 and identified as "Isolation Valve Vault IW-C6". All Fuel Lines Work performed by the Lessee shall be performed subject to and in accordance the following additional terms and conditions:

(i) All Fuel Lines Work shall be performed at the sole cost and expense of the Lessee and the Lessee agrees none of such costs and expenses shall become part of System Costs. The Lessee further agrees that if any costs and expenses for the repair, operation, replacement, maintenance or use of the Distribution Portion Work, the Satellite Portion Work or the Inert Fuel Lines for any reason whatsoever are not included or includable in, or not allowed to become a part of, System Costs, that the Lessee shall bear and pay for any and all such costs and expenses. In addition, all of the Distribution Portion of the System which is taken out of service and abandoned as part of the Fuel Lines Work shall be removed from the Airport by the Lessee as a part of the Fuel Lines Work.

(ii) The Fuel Lines Work shall be performed in accordance with all the terms and conditions of this Lease and of the General Airport Agreement.

(iii) In addition to and without limiting the obligations set forth in paragraph (k)(3) of this Section, any portion of the Fuel Lines Work performed by the System Operator shall be performed by the System Operator on behalf of the Lessee and at

the Lessee's sole cost and expense. The Lessee shall assure that the costs and expenses of all Fuel Lines Work are separately allocated and billed to the Lessee by each of its contractors, including without limitation, by the System Operator, and in no event are any such costs and expenses to be allocated or billed as, or to become a part of, System Costs. Further, the Lessee shall communicate and cooperate (and require each of its contractors to communicate and cooperate) with the System Operator in all aspects of the Fuel Lines Work and shall coordinate the performance of the Fuel Lines Work with the System Operator. The Lessee shall include in each of its contracts and subcontracts covering the Fuel Lines Work or any portion thereof the foregoing requirements for cooperation, communication, coordination, allocation and billing.

(iv) In addition to and without limiting the obligations set forth in paragraph (k) of this Section, the Lessee shall in the performance of the Fuel Lines Work and in fulfillment of its obligations pursuant to subparagraph (xi) hereof, minimize to the greatest extent possible any disruption, interruption, delay or interference in the operation, performance, maintenance, repair or use of the System. To that end, prior to the Lessee's commencement of the Fuel Lines Work or any portion thereof, the Lessee shall submit to the Port Authority for the Port Authority's approval a plan to accomplish the foregoing and shall revise and update such plan as desirable or required throughout the performance of the Fuel Lines Work. Such plan shall include without limitation the sequencing and scheduling of all shut downs of any portion of the System such as but not limited to the sequencing and scheduling of all work to tie-in any portion of the Fuel Lines Work to the System and flushing and testing the Fuel Lines Work, and shall provide that only one of the Affected Distribution Lines shall be out of service at the same time and that no section of the System shall be taken or kept out of service during peak travel periods. Further, such plan shall include actions and procedures to be undertaken and followed in the event of any unscheduled or unexpected shut down or disruption of or interference with the operation or use of the of the System. The Lessee understands and agrees that no approval of the Port Authority shall relieve or release the Lessee from its obligations under this paragraph (q). The Port Authority shall have the right from time to time to require the Lessee to make changes to the plan and the Lessee shall comply therewith and with any and all such required changes.

(v) All Fuel Lines Work shall comply in all respects with the System License and all other Environmental Requirements and the Lessee shall take all actions to ensure such compliance. Further, if required or permitted by the New York State Department of Environmental Conservation or any other applicable Governmental Authority, the Lessee shall register, license and/or permit the Airline Terminal Portion of the System in accordance with Environmental Requirements in the name of the Lessee as the owner thereof and the System Operator as the operator thereof.

(vi) Notwithstanding paragraph (i) of this Section, title to the Airline Terminal Portion Work shall remain in the Lessee as the same or any part thereof is erected, constructed or installed and upon such erection, construction or installation the same shall be and become a part of the Airline Terminal Portion of the System for the purposes of this Agreement and the Airport Fueling Agreements including without limitation the Lessee assuming all risks, costs, expenses, responsibilities and liabilities in connection therewith and the same shall be and become a Tank (as such term is defined in Section 65 hereof entitled "Fuel Storage Tanks") and all the terms and conditions of Section 65 shall apply thereto.

(vii) Notwithstanding any terms or conditions in the Airport Fueling Agreements to the contrary, effective as of the Redesignation Date with respect to each Premises Distribution Line, that portion of such Premises Distribution Line constituting a portion of the Redesignated Airline Terminal Portion of the System shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Airline Terminal Portion of the System and a Tank and all the terms and conditions of Section 65 hereof shall apply thereto. Without limiting the generality of any other term or provision of this Agreement, from and after the Redesignation Date for each such Redesignated Airline Terminal Portion of the System, such Redesignated Airline Terminal Portion of the System shall no longer be or be deem to be a part of the Distribution Portion of the System and the Lessee shall take title to the same in its "as is" condition and shall release and relieve the Port Authority and Other Users from and shall assume all risks, costs, expenses, responsibilities and liabilities in connection with such Redesignated Airline Terminal Portion of the System.

(viii) Title to all the Distribution Portion Work and the Satellite Portion Work shall pass to the City of New York as the same or any portion thereof is erected, constructed and installed and effective upon the Acceptance Date of each portion of the Distribution Portion Work, such Distribution Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Distribution Portion of the System and effective upon the Acceptance Date of each portion of the Satellite Portion Work, such Satellite Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Satellite Portion of the System.

(ix) The Lessee shall take all actions to maintain and protect all manufacturer, contractor and vendor warranties (express and implied) of any New System Components.

(x) The Lessee hereby agrees as the lessee hereunder, as the lessee under the General Airport Agreement and as a User, that it shall not object to, challenge or make

any claim or demand (including without limitation one for or concerning arbitration), whether under this Agreement, the General Airport Agreement or any other Airport Fueling Agreement or otherwise, with respect to, on account of or arising out of any Permitted Modification, including without limitation, (aa) the failure of the Port Authority to have entered into any written agreement with, or to have obtained consents or approvals from, one or more Users in connection with any Permitted Modification or (bb) the inclusion or the failure to be included in the System Costs any maintenance, repair, replacement, operational or other costs and expenses with respect to a Permitted Modification.

(xi) Notwithstanding any other term or provision of this Agreement or any review by the Port Authority of the plans and specifications for the Fuel Lines Work or any comment of the Port Authority on or failure of the Port Authority to comment on the design, performance or installation of the Fuel Lines Work, or any inspection or approval by the Port Authority or by the System Operator of the Fuel Lines Work, or any terms or conditions of any Port Authority approval covering the Fuel Lines Work, or the existence of any patent or trade name, or any other facts or circumstances which could or could be construed to affect or relieve the Lessee from its obligations under this paragraph (q)(2)(xi), the Lessee unconditionally guarantees, warrants and represents to the Port Authority and the Other Users that:

(aa) the Fuel Lines Work shall be performed in accordance with and subject to all the terms and conditions of this Agreement and the General Airport Agreement,

(bb) the New System Components shall comply with all industry standards and Environmental Requirements applicable thereto and shall at all times be fully fit to perform all the functions and purposes for which they were designed and as required by and set forth in the General Airport Agreement,

(cc) the New System Components and the System shall at all times meet or exceed all aspects of the System as it existed prior to the commencement of the Fuel Lines Work, including without limitation, in capacity, integrity, functional capability, efficiency and operation,

(dd) the Fuel Lines Work shall not be included or includable in System Costs,

(ee) the New System Components shall not increase the costs and expenses to operate, maintain, repair or use the Distribution Portion or the Satellite Portion, or any portion thereof or increase the System Costs,

(ff) the New System Components shall at all times throughout their expected useful life operate free from any defects, deficiencies or failures of any kind, including without limitation, any leaks or any defects, deficiencies or failures in design, workmanship, construction or materials,

(gg) neither the Fuel Lines Work nor the New System Components shall violate any Environmental Requirement or cause or result in any Environmental Damages, and

(hh) the New System Components, including without limitation, the cathodic protection system to be installed by the Lessee as part of the Airline Terminal Portion Work, shall be designed to be and shall be fully integrated into and compatible with the Distribution Portion and the Satellite Portion of the System (each of the foregoing described in (aa), (bb), (cc), (dd), (ee), (ff), (gg) and (hh) and the warranties described in paragraph (d)(5) of this Section being herein called a "Warranty").

Upon the Lessee's receipt at any time and from time to time of notice from the Port Authority or any Governmental Authority or other Person that a Warranty has been breached or not complied with or in the event the Lessee becomes aware of or receives any other notice (constructive or otherwise) of a breach of or noncompliance with a Warranty (any such breach or noncompliance being herein called a "Defect"), the Lessee shall in accordance with all the terms and conditions of this Agreement including without limitation Section 33 hereof and at its sole cost and expense, repair, modify or replace such Defect or do whatever else shall be required to correct such Defect, including without limitation, removing, relocating and replacing all or a part of the New System Components and all necessary and required work to accomplish the foregoing and none of such costs and expenses shall be or become System Costs. The foregoing warranty, representation and guarantee shall not be a limitation on any expressed or implied warranty or guaranty otherwise available to the Port Authority or the Other Users or any of them, under this Agreement, any of the contracts for the Fuel Lines Work, law, equity or otherwise or a limitation on any other rights or remedies which the Port Authority and/or any Other Users may have in connection with the Fuel Lines Work, the System or the New System Components whether pursuant to the Airport Fueling Agreements, this Agreement, at law or equity, or otherwise.

(xii) Without limiting any other term or condition of this Agreement and in addition to the terms and conditions set forth elsewhere in this Lease, the Lessee hereby relieves and releases the Port Authority and the Other Users from and assumes all the Fuel Line Risks.

Agreement relating to such risks or claims, (y) to imply that the Lessee assumes or is responsible for risks or claims only of the type enumerated in this paragraph (q) or in any other portion of this Agreement, or (z) to limit the risks which the Lessee would assume or the claims or demands for which it would be responsible in the absence of such enumeration.

(3) In addition to and without affecting the obligations of the Lessee pursuant to paragraph (n) of this Section, when an integral and material portion of the Distribution Portion Work and/or the Satellite Portion Work is fully operational, has been successfully tested and properly flushed and is ready to be placed in service, the Lessee shall so advise the Port Authority and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Fuel Lines Work has been constructed, inspected and tested in accordance with approved plans and specifications, the provisions of the Lease and the General Airport Agreement and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation the System License, and specifying the portion of the Distribution Portion Work and/or the Satellite Portion that has been so completed, inspected and tested. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to such portion of the Distribution Portion Work and/or Satellite Portion Work stating that such portion may be placed in operation for the purposes set forth in the General Airport Agreement and subject to and in accordance with all the terms and conditions of this Lease and the General Airport Agreement and subject to the risks set forth in paragraph (f) hereof in the event that the Port Authority has not approved the plans and specifications for the Redevelopment Work and/or for the Remediation Work.

Section 3. Term

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Airport Lease" shall mean either (i) the Basic Lease, as the same may have been supplemented, amended and extended or (ii) a New Airport Lease, as the same may have been supplemented, amended and extended, whichever shall be in full force and effect.

(2) "Airport Lease Extension Agreement" shall mean each agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and which supplements and amends the Basic Lease whereby the term of the letting of the Airport to the Port Authority (including the Premises) continues without interruption and is extended to a date subsequent to December 31, 2015 or which is a New Airport

Lease pursuant to which the Port Authority's letting of the Airport (including the Premises) continues without interruption or which supplements and amends the Airport Lease whereby the term of the letting to the Airport (including the Premises) to the Port Authority continues without interruption and is extended to a date subsequent to December 31, 2015.

(3) "Applicable Airport Lease Extension Agreement" shall have the meaning set forth in paragraph (d)(1) below and at any particular date shall mean the most recent Airport Lease Extension Agreement that the City of New York and the Port Authority have entered into and which is in full force and effect as of such particular date.

(4) "Current Lease" shall mean as of any particular date, this Lease as the same may have been amended, supplemented and extended as of such date.

(5) "Current Lease Expiration Date" shall mean as of the Effective Date, December 27, 2015 and shall mean as of any other date subsequent to the Effective Date, the date that the term of the letting under the Current Lease in effect as of such date shall expire by the express written terms and provisions thereof, provided, however, in no event shall there be any Current Lease Expiration Date which would occur after the Final Lease Extension Date.

(6) "Fee Transfer Agreement" shall mean an agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and which transfers the title to and ownership of the fee in the Airport and the Premises to the Port Authority.

(7) "Fee Transfer Date" shall mean a date prior to the Final Lease Extension Date and on which the closing of the transfer of title to and ownership of the fee in the Airport and the Premises to the Port Authority pursuant to a Fee Transfer Agreement shall have occurred.

(8) "Final Lease Extension Date" shall mean the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) the day immediately preceding the thirty-sixth (36th) anniversary of the Effective Date.

(9) "New Airport Lease" shall mean an agreement fully and duly executed by the Port Authority and the City of New York in a form satisfactory to the Port Authority and the City of New York and which has been fully and duly authorized by the Board of Commissioners of the Port Authority and with the approval of the authorized officials and entities of the City of New York and pursuant to which the Port Authority continues as the lessee of the Airport without interruption but is not an amendment, supplement or extension of the Basic Lease.

(10) "Paragraph (c) Extension Supplement" shall have the meaning set forth in paragraph (c)(3) of this Section.

(11) "Paragraph (d) Extension Supplement" shall have the meaning set forth in paragraph (d)(3) of this Section.

(12) "Permitted Tenancy" shall have the meaning set forth in paragraph (f) of this Section.

(b) The term of the letting under this Lease, as the same shall have commenced under Lease AYB-085, shall expire on December 27, 2015 unless sooner terminated in accordance with the terms and provisions of this Lease.

(c) (1) Without limiting paragraph (b) above or Section 26 hereof entitled "Surrender" or Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted" or any other term, provision, covenant and condition of this Agreement and subject to the terms and provisions of paragraphs (e) and (f) of this Section, in the event and only in the event there shall be a Fee Transfer Date, the Port Authority hereby agrees but only as set forth in paragraph (c)(3) of this Section and subject to all of the terms and conditions set forth in this paragraph (c) and paragraphs (e) and (f) of this Section, to extend the term of the letting under the Current Lease then in effect from the Current Lease Expiration Date set forth in said Current Lease to the Final Lease Extension Date, which Final Lease Extension Date shall be set forth in a Paragraph (c) Extension Supplement as hereinafter set forth, provided, however, in no event shall the term of the letting under the Current Lease be extended pursuant to this paragraph (c) unless all the terms and conditions set forth in paragraphs (c)(2), (c)(3), (e) and (f) of this Section have been complied with and all of the following additional terms and conditions shall also have been complied with:

(A) Both immediately and at all times prior to the Fee Transfer Date and both immediately and at all times prior to the date of the Port Authority's execution and delivery of the Paragraph (c) Extension Supplement:

(aa) the term of the letting under the Current Lease shall be in full force and effect or, if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, such Permitted Tenancy shall be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a

Permitted Tenancy then, in addition to the foregoing, neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of such Permitted Tenancy;

(cc) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, the Lessee shall additionally be in full compliance with the terms, provisions, covenants and conditions of such Permitted Tenancy set forth in paragraphs (e) and (f) hereof, on its part to be kept, performed and observed; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled "Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Paragraph (c) Extension Supplement shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(dd) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(ee) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(ff) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof;

(gg) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date; and

(hh) none of the Triggering Events listed in Exhibit 52.1 shall have occurred.

(B) All of the Required Conditions shall have occurred; and

(C) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (A)(aa) through (A)(hh) and subparagraph (B) above.

(D) Such extension shall be permitted under, and shall not be in violation of, the Fee Transfer Agreement and the Fee Transfer Date and shall be in compliance with all applicable terms and conditions thereof.

(2) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the term of the letting under the Current Lease or to enter into any Paragraph (c) Extension Supplement pursuant to this paragraph (c) unless and until a Fee Transfer Agreement is fully entered into and is in full force and effect, the Fee Transfer Date shall have occurred and all the other terms and conditions of this paragraph (c) shall have been complied with and unless such extension of the letting of the Premises to the Lessee and the resulting "Paragraph (c) Extension Supplement" would not be contrary to, inconsistent or conflict with, or violative of the terms and provisions of paragraphs (e) or (f) of this Section. Further, in any event when the Current Lease has expired by its express written terms whether on the occurrence of the Current Lease Expiration Date or otherwise and whether or not there is a Permitted Tenancy, the Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to not terminate, any use, occupancy, possession, tenancy or letting of the Premises by the Lessee which may occur after such expiration or to accept or not accept any rentals from the Lessee, it being understood and agreed however that the rights of the Port Authority to terminate any Permitted Tenancy shall be as set forth in the Current Lease.

(3) In the event (i) there is both a Fee Transfer Agreement and a Fee

Transfer Date, and (ii) all of the terms and conditions set forth in paragraphs (c)(1) and (c)(2) of this Section have been complied with, and only in such event, the Final Lease Extension Date shall be set forth in a supplement to the Current Lease prepared by the Port Authority and sent to the Lessee for execution by it; which supplement shall extend the term of the letting thereunder to the Final Lease Extension Date and shall include such other additional terms and provisions as the Port Authority may determine appropriate, it being understood that said proposed supplement shall not change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing said proposed supplement may require the Lessee to pay to the Port Authority any or all of the Port Authority's increased costs under or arising out of or resulting from the Fee Transfer Agreement, the Fee Transfer Date or any Permitted Tenancy (but the Lessee shall not be obligated to have paid the Port Authority more that once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, the Current Lease (as the same may be supplemented by the Paragraph (c) Extension Supplement, if any, arising from the Fee Transfer Agreement and the Fee Transfer Date) or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from the Fee Transfer Agreement, the Fee Transfer Date or any Permitted Tenancy that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner. Within thirty (30) days after the Port Authority has sent said proposed supplement to the Lessee, the Lessee shall properly execute and return the said proposed supplement to the Port Authority for its execution and delivery. In the event the Lessee fails so to properly execute and return the said proposed supplement to the Port Authority then the Port Authority shall have no further or other obligation with respect to any proposed extension of the letting under the Current Lease under this paragraph (c) or with respect to any other extension of the letting of the Premises to the Lessee or any other letting of the Premises to the Lessee and there shall be no extension of the term of the letting of the Premises to the Lessee pursuant to this paragraph (c) or otherwise to the Final Lease Extension Date or to any other date, and the respective rights and obligations of the parties regarding the Lessee's use, occupancy and possession of the Premises after December 27, 2015 or later Current Lease Expiration Date, if any, shall be as set forth in and subject to paragraphs (e) and (f) hereof. If the said supplement is fully executed and delivered by both the Port Authority and the Lessee, upon such execution and delivery the same shall be the "Paragraph (c) Extension Supplement" as such term is used herein and the Port Authority shall have no further obligation whatsoever to extend the term of the letting hereunder or otherwise.

(d) (1) Without limiting paragraphs (b) or (c) above or Section 26 hereof entitled "Surrender" or Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted" or any other term, provision, covenant and condition of this Agreement and subject to the terms and provisions of paragraphs (e) and (f) of this Section, in the event that all of the following shall be the case and only in such event:

(i) there shall have been no preceding Fee Transfer Date,

(ii) an Airport Lease Extension Agreement meeting all the requirements set forth in paragraph (a)(2) of this Section shall have been entered into (each such new Airport Lease Extension Agreement being herein also sometimes referred to as an "Applicable Airport Lease Extension Agreement"), and

(iii) the Current Lease shall have not been extended to or beyond the Final Lease Extension Date,

then and only then the Port Authority hereby agrees but only as set forth in paragraph (d)(3) of this Section and subject to all the terms and conditions in this paragraph (d) and paragraphs (e) and (f) of this Section, to extend the term of the letting under the Current Lease then in effect from the Current Lease Expiration Date set forth in said Current Lease to the earlier to occur of the Final Lease Extension Date or the day immediately preceding the expiration date of the Airport Lease set forth in said Applicable Airport Lease Extension Agreement, which new Current Lease Expiration Date shall be set forth in a Paragraph (d) Extension Supplement as hereinafter set forth, provided, however, in no event shall the term of the letting under the Current Lease be extended pursuant to this paragraph (d) unless all of the terms and conditions set forth in paragraphs (d)(2), (d)(3), (e) and (f) of this Section have been complied with and all of the following additional terms and conditions shall also have been complied with:

(A) Both immediately and at all times prior to the effective date of the Applicable Airport Lease Extension Agreement and both immediately and at all times prior to the date of the Port Authority's execution and delivery of the Paragraph (d) Extension Supplement arising from said Applicable Airport Lease Extension Agreement:

(aa) the term of the letting under the Current Lease shall be in full force and effect or if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, such Permitted Tenancy shall be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy then, in addition to the foregoing, neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of such Permitted Tenancy;

(cc) the Port Authority shall not be in receipt of, nor have given or served, any valid notice of termination of the Port Authority's tenancy, possession, use, occupancy or other interest or estate in the Airport, including without limitation the Premises, whether under the Airport Lease, any hold over or other tenancy, occupancy or use or otherwise;,

(dd) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed and if the Current Lease Expiration Date shall have occurred and the Lessee shall continue to use, occupy or possess the Premises under a Permitted Tenancy, the Lessee shall additionally be in full compliance with the terms, provisions, covenants and conditions of such Permitted Tenancy set forth in paragraphs (e) and (f) hereof, on its part to be kept, performed and observed; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled "Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Paragraph (d) Extension Supplement shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(ee) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(ff) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(gg) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date;

(hh) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof; and

(ii) none of the Triggering Events listed in Exhibit 52.1 shall have occurred.

(B) All of the Required Conditions shall have occurred; and

(C) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (A)(aa) through (A)(ii) and subparagraph (B) above.

(2) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the term of the letting under the Current Lease or to enter into any Paragraph (d) Extension Supplement pursuant to this paragraph (d) unless and until the Applicable Airport Lease Extension Agreement extending the Airport Lease beyond December 27, 2015 or beyond the Current Lease Expiration Date set forth in such Current Lease is fully entered into and is in full force and effect and all the other terms and conditions of this paragraph (d) have been complied with and unless such extension of the letting of the Premises to the Lessee and the resulting "Paragraph (d) Extension Supplement" would not be contrary to, inconsistent or conflict with or violative of the terms and provisions of paragraphs (e) or (f) or of this Section. Further, in any event when the Current Lease has expired by its express written terms whether on the occurrence of the Current Lease Expiration Date or otherwise and whether or not there is a Permitted Tenancy, the Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to not terminate, any use, occupancy, possession, tenancy or letting of the Premises by the Lessee which may occur after such expiration or to accept or not accept any rentals from the Lessee, it being understood and agreed however that the rights of the Port Authority to terminate any Permitted Tenancy shall be as set forth in the Current Lease.

(3) (i) In the event there is both (i) an Applicable Airport Lease Extension Agreement, as aforesaid in subparagraph (d)(1) above which complies with all of the requirements for an Airport Lease Extension Agreement set forth in paragraph (a)(2) above,

extending the Airport Lease beyond the day immediately following the Current Lease Expiration Date set forth in the Current Lease then in effect and (ii) all of the terms and conditions set forth in paragraphs (d)(1) and (d)(2) of this Section have been complied with, and only in such event, the new expiration date of the term of the letting under the Current Lease shall be set forth in a supplement to the Current Lease prepared by the Port Authority and sent to the Lessee for execution by it; which supplement shall extend the term of the letting thereunder to the earlier to occur of the Final Lease Extension Date or the day immediately preceding the expiration date of the Airport Lease set forth in said Applicable Airport Lease Extension Agreement giving rise to such extension of the letting hereunder and shall include such other additional terms and provisions as the Port Authority may determine appropriate, it being understood that said proposed supplement shall not change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing said proposed supplement may require the Lessee to pay to the Port Authority any or all of the Port Authority's increased costs under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy (but the Lessee shall not be obligated to have paid the Port Authority more that once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, the Current Lease (as the same may be supplemented by the Paragraph (d) Extension Supplement, if any, arising from said Applicable Airport Lease Extension Agreement), or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(ii) Within thirty (30) days after the Port Authority has sent to the Lessee the said proposed supplement referred to in subparagraph (i) above, the Lessee shall properly execute and return the said proposed supplement to the Port Authority for its execution and delivery. In the event the Lessee fails so to properly execute and return the said proposed supplement to the Port Authority then the Port Authority shall have no further or other obligation with respect to any proposed extension of the letting under the Current Lease under this paragraph (d) or with respect to any other extension of the letting of the Premises to the Lessee or any other letting of the Premises to the Lessee and there shall be no extension of the term of the letting of the Premises to the Lessee pursuant to this paragraph (d) or otherwise to the Final Lease Extension Date or to any other date, and the respective rights and obligations of the parties regarding the Lessee's use, occupancy and possession of the Premises after December 27, 2015 or later Current Lease Expiration Date, if any, shall be as set forth in and subject to paragraphs (e) and (f) hereof.

(iii) If the said supplement is fully and duly executed and delivered by both the Port Authority and the Lessee, upon such execution and delivery the same shall be a "Paragraph (d) Extension Supplement" and the expiration of the term of the letting hereunder set forth in said Paragraph (d) Extension Supplement shall be and become the Current Lease Expiration

Date until a subsequent Paragraph (d) Extension Supplement, if any, is executed as provided for and in accordance with this paragraph (d) extending the term of the letting hereunder beyond said Current Lease Expiration Date, provided, however, when and if the term of the Current Lease is extended to the Final Lease Extension Date, then the Paragraph (d) Extension Supplement containing such Final Lease Extension Date shall be the final Paragraph (d) Extension Supplement and the Port Authority shall have no further obligation whatsoever to extend the term of the letting under the Current Lease or to enter into any other Paragraph (d) Extension Supplement.

(e) (1) The Port Authority shall have no obligation whatsoever to the Lessee or to any other Person or entity to extend the Basic Lease and the term of the letting thereunder beyond December 31, 2015 or to any other date, or to enter into any New Airport Lease or to extend the term of the letting thereunder, or to enter into any Airport Lease Extension Agreement, or to become the owner of the fee in the Airport or in the Premises, or to enter into, complete or effect a Fee Transfer Agreement, a Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease, and nothing in this Lease shall impose or be deemed to impose any obligation, duty, responsibility or liability whatsoever on the Port Authority to extend the Basic Lease and the term of the letting thereunder beyond December 31, 2015 or to any other date, or to enter into any New Airport Lease or to extend the term of the letting thereunder, or to enter into any Airport Lease Extension Agreement, or to become the owner of the fee in the Airport or in the Premises, or to enter into, complete or effect a Fee Transfer Agreement, a Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease, or to enter into, hold or continue any discussions or negotiations with the City of New York or any other Person or entity with respect thereto. The Port Authority shall have full, complete and sole right and discretion to discuss, negotiate and to enter into or not discuss, negotiate or enter into any agreement with the City of New York or any other Person or entity for any extension of the term of the Basic Lease or for any New Airport Lease or for any Airport Lease Extension Agreement or for any Fee Transfer Agreement or for any Fee Transfer Date or for any other agreement of lease or other transaction, sale or transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport

or the Premises after the expiration the Airport Lease, and as to any and all of the terms and conditions of any such extensions or other agreements, and neither this Section nor paragraphs (c), (d) or (f) of this Section 3 nor anything contained therein shall or shall be deemed to impair, limit or affect the said right and discretion of the Port Authority or to grant to the Lessee or any other Person or entity any right, claim or remedy hereunder or otherwise with respect to the Basic Lease, any New Airport Lease, any Airport Lease Extension Agreement, or any extension or non-extension of the term thereof, or with respect to any Fee Transfer Agreement or any Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right in or with respect to the Airport or the Premises in or of the Port Authority after the expiration of the Airport Lease, or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration or termination of the Airport Lease. The Lessee hereby expressly understands, acknowledges, agrees and accepts that the Port Authority hereby makes no promises, representations, assurances, agreements or commitments of any kind whatsoever that it will undertake or enter into any discussions, negotiations, or agreements with the City of New York or any other Person or entity with respect to any extension of the Airport Lease, any New Airport Lease, any Airport Lease Extension Agreement, any Fee Transfer Agreement or any Fee Transfer Date or any other agreement of lease or other transaction, sale or other transfer which would continue, create or transfer any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport or the Premises after the expiration of the Airport Lease or for the Port Authority to continue or create any occupancy, use, possession, tenancy, estate, interests or rights of the Port Authority or any other Person or entity in or with respect to the Airport or the Premises after the expiration the Airport Lease.

(2) (i) Without limiting or affecting any of the terms and conditions of Section 26 hereof entitled "Surrender", Section 28 hereof entitled "Effect of Basic Lease" or Section 31 hereof entitled "Limitation of Rights and Privileges Granted", the Lessee covenants and agrees as follows: The Current Lease and the letting of the Premises to the Lessee shall be subject, subordinate and subservient to the Airport Lease and the Fee Transfer Agreement and the Fee Transfer Date, as the case shall be, and to the tenancy, estate, interests and rights of the Port Authority in or with respect to the Airport or under the Airport Lease including any and all Airport Lease Extension Agreements and to any and all terms and provisions thereof which affect or may affect the terms and provisions of the Current Lease and subject to the Port Authority's right and election to or not to continue or defend any use, occupancy, possession, tenancy, estate, interest or right of the Port Authority in or with respect to the Airport. Without limiting the generality of the foregoing, the Lessee's use, occupancy and possession of, and the Lessee's rights, interests, tenancy and estate in and with respect to, the Premises, including without limitation any Permitted Tenancy, shall at all times be and remain subordinate, subservient and subject to the Port Authority's use, occupancy, possession, rights, interests, tenancy and estate in and with respect to the Premises and the Airport.

(ii) In addition, the Lessee covenants and agrees that no act or omission of the Lessee shall serve to defeat or deny, be adverse to, or be inconsistent or interfere with, the Port Authority's use, occupancy, possession, claims, rights, interests, tenancy or estate in or with respect to the Airport or any portion thereof, including without limitation the Premises, or the landlord tenant relationship between the Port Authority (as landlord) and the Lessee (as tenant). Further, the Lessee covenants and agrees that it shall not do anything or take any action (including without limitation entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) the intent, effect or result of which would defeat or deny, be adverse to, or be inconsistent or interfere with, the Port Authority's use, occupancy, possession, claims, rights, interests, tenancy or estate in or with respect to the Airport or any portion thereof, including without limitation the Premises. Without limiting the foregoing, for such period as the Port Authority shall use, occupy or possess, or shall have any right, interest or estate in or with respect to or shall have any claim to the use, occupancy or possession of, the Airport or the Premises, the Lessee shall not attorn to, or become the tenant of, any Person or entity (other than the Port Authority) and the Lessee at all such times as it shall use, occupy or possess the Premises shall do so as the tenant of the Port Authority and not of the City of New York or of any other Person or entity (other than the Port Authority) and all payments of rentals payable under the Current Lease, including without limitation during any Permitted Tenancy, and payments for use and occupancy of the Premises shall be payable and paid by the Lessee to the Port Authority and to no other Person or entity. Without limiting any of the foregoing, no act or omission of the Lessee (including without limitation the Lessee entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) shall result in or have the effect of resulting in the Lessee having any use, occupancy, possession, tenancy, estate, right, claim or interest in the Premises or the Airport (i) which would be superior, equal or adverse to that of the Port Authority or (ii) which would become effective prior to the time that the Port Authority shall have surrendered, delivered or transferred its possession, use and/or occupancy of the Airport and the Premises or prior to the time that all of the Port Authority's claims, interests, rights, tenancy and estate in and with respect to, and its possession, use and/or occupancy of, the Airport and the Premises shall have been extinguished or (iii) which would result or effect an attornment by the Lessee to the City or to any other Person or entity (other than the Port Authority). Further, the Lessee covenants and agrees that it shall not do anything or take any action (including without limitation entering into any agreement, concurrent or other lease, contract, memorandum or other writing or instrument for or with respect to the Premises or the Airport with the City of New York or any other Person or entity) the intent, effect or result of which would be the Lessee having any use, occupancy, possession, tenancy, estate, right, claim or interest in the Premises or the Airport (i) which would be superior, equal or adverse to that of the Port Authority or (ii) which would become effective prior to the time that the Port Authority shall have surrendered, delivered or transferred its possession, use and/or occupancy of the Airport and the Premises or prior to the time that all of the Port Authority's claims, interests, rights, tenancy and estate in and with respect to, and its possession, use and/or occupancy of, the

Airport and the Premises shall have been extinguished or (iii) which would result or effect an attornment by the Lessee to the City or to any other Person or entity (other than the Port Authority).

(iii) The Lessee shall execute such documents and instruments, make such representations, certifications and warranties and provide such other cooperation, as may be requested by the Port Authority, to effectuate and complete such proposed Fee Transfer Agreement and Fee Transfer Date.

(3) It is expressly understood and agreed that the Port Authority shall have no obligation hereunder or otherwise to make any payment to the Lessee, including without limitation any payment of the Lessee's Unamortized Redevelopment Investment, in the event for any reason there is no extension of the term of the letting hereunder beyond December 27, 2015 or if there is no Permitted Tenancy thereafter or, if there is any extension of the term of the letting hereunder beyond December 27, 2015, there is no extension of the term of the letting under the Current Lease to the Final Lease Extension Date or no Permitted Tenancy after any Current Lease Expiration Date and that nothing in this Section including without limitation paragraphs (c) and (d) hereof nor anything contained therein nor any action taken or not taken under this Section or as a result thereof shall or shall be deemed to impose any such obligation on the Port Authority or to constitute any agreement, duty, responsibility or liability of the Port Authority for any such payment.

(4) Nothing in this Section 3, nor the operation thereof, nor any rights granted thereby, nor any action taken or not taken thereunder, shall or shall be deemed to release or relieve the Lessee from any liability or obligation to the Port Authority under this Lease or otherwise or to waive, impair, alter, limit or restrict any of the rights or remedies of the Port Authority in law or in equity under this Lease or otherwise. Without limiting the generality of the foregoing, the Lessee understands and agrees that nothing in this Section shall or shall be deemed to have to waived, impaired, altered, limited or restricted the Lessee's obligations under Section 26 hereof entitled "Surrender"or Section 28 hereof entitled "Effect of Basic Lease"or to have granted to the Lessee any rights whatsoever whether under this Lease, the Current Lease or otherwise which would be contrary to, a breach of, or conflict or be inconsistent with, the terms and conditions of said Sections or with the Basic Lease or the Airport Lease. Without limiting the generality of the foregoing, in the event the Lessee or any Person or other entity claiming by, through or under the Lessee is in use, occupancy or possession of the Premises or any portion thereof in violation of any the foregoing or any other term or condition of the Current Lease, the Port Authority, in addition to and without limiting any of its other rights and remedies, may recover from the Lessee any and all damages whatsoever resulting from or in connection therewith, including without limitation, direct, indirect and consequential damages and those which may be unforeseen.

(5) In no event shall the Current Lease, or the letting thereunder, or any

Permitted Tenancy, be or be deemed to be by the provisions of this Agreement or by operation of law or otherwise an assignment thereof or of the Airport Lease in whole or in part. It is the express intention of the parties hereto that unless there shall have been a Fee Transfer Date, the Lessee's right hereunder to possess, occupy and use the Premises shall (subject to any and all rights of termination by the Port Authority) in any and all events expire, unless sooner terminated by the Port Authority, not later than the day preceding the expiration of the Port Authority's rights of possession, occupancy and/or use with respect to the Premises and, accordingly, until all of the Port Authority's rights of possession, use and/or occupancy with respect to the Premises shall have been terminated, the Port Authority shall and shall be deemed to have and to have retained a reversionary interest of at least one day prior to the date that the Lessee's right of possession, occupancy and/or use of the Premises shall have expired or shall have been terminated and any tenancy, possession, use or occupancy of the Premises by the Lessee shall be subject and subordinate to such reversionary interest of the Port Authority.

(6) The Lessee understands and agrees that the terms and conditions of paragraphs (c), (d) and paragraph (f) hereof shall be in all respects subject to, subordinate, and subservient to the terms and conditions of this paragraph (e) and, in the event that any of the terms and conditions of paragraphs (c), (d) or paragraph (f) are inconsistent or conflict with, or are contrary to, or violate any of the terms and conditions of this paragraph (e) or Sections 26 or 28 hereof whether expressly or by the operation thereof pursuant to law, equity or otherwise, that the terms and conditions of this paragraph (e) and Sections 26 and 28 hereof shall in all respects be controlling, determinative and effective.

(7) Without limiting the generality of the terms and conditions of Section 13 hereof entitled "Indemnity and Liability Insurance", the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands whatsoever including without limitation direct, indirect, consequential or unforeseen damages, of third persons resulting from or in connection with any of the terms and conditions of this Section 3 or any Permitted Tenancy or any of the rights granted to the Lessee by this Section or the exercise thereof or any breach of or default under the Basic Lease by the Port Authority on account thereof, including without limitation, any use, occupancy or possession of the Premises by the Lessee upon the expiration or termination of the Basic Lease or any Airport Lease or any Permitted Tenancy, the foregoing to include without limitation all claims and demands of the City of New York or any other Person or entity claiming on behalf of, by, under or through the City, for indemnification or otherwise, arising by operation of law or through agreement of the Port Authority with the said City. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any

defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(f) (1) In the event that the Current Lease Expiration Date shall have occurred and the Port Authority shall continue without interruption the use, occupancy and possession of the Airport, including without limitation the Premises, with the permission of the City (it being understood and agreed that for the purpose of the foregoing no occupancy, use or possession of any portion of the Airport by, under or through the Lessee shall or shall be deemed to be any use, occupancy or possession of the Airport, including the Premises, by the Port Authority), then for so long as the Port Authority's use, occupancy and/or possession of the Airport with the permission of the City (the foregoing to exclude as aforesaid any use, occupancy and/or possession of any portion of the Airport by, through or under the Lessee) shall continue without interruption and without a Fee Transfer Date or a Paragraph (d) Extension Supplement, the Lessee's continued and uninterrupted use, occupancy and possession of the Premises, subject to the terms and provisions of paragraph (f)(2) below, shall for the purposes of this Section be a "Permitted Tenancy", provided, however, all the terms and provisions of paragraph (f)(2) below shall have been satisfied and further that such use, occupancy such Permitted Tenancy shall be subject to the following terms and conditions:

(aa) No Permitted Tenancy shall continue beyond, and shall in all events end upon, the earliest to occur of (i) the Final Lease Expiration Date or (ii) one day prior to the earlier to occur of the surrender or delivery by the Port Authority of its use, occupancy or possession of the Airport; it being understood and agreed that no occupancy, use or possession of any portion of the Airport by, under or through the Lessee shall or shall be deemed to be any use, occupancy or possession of the Airport, including the Premises, by the Port Authority for the purpose of the foregoing or (iii) one day prior to the date that all of the rights of the Port Authority to use, occupy or possess the Airport shall have been terminated or (iv) the effective date of a Paragraph (c) Extension Supplement or any Paragraph (d) Extension Supplement, provided, however, no Permitted Tenancy shall in any event continue after the 30th day after the Port Authority shall have delivered to the Lessee a proposed paragraph (c) extension supplement pursuant to paragraph (c) of this Section or after the 30th day after the Port Authority shall have delivered to the Lessee a proposed paragraph (d) extension supplement pursuant to paragraph (d) of this Section, and

(bb) All the terms and conditions of the Current Lease, including without limitation all the terms and conditions of this Section, shall apply and pertain to any Permitted Tenancy except that in addition to the rentals set forth in Section 4 hereof or elsewhere in the Current Lease the Lessee shall pay to the Port Authority a further additional rental equal to all of the Port Authority's increased costs under, arising out of, or resulting

from, the Port Authority's use, occupancy and or possession of the Airport during the time that any Permitted Tenancy shall be in effect which are directly or proportionately attributable or related to the Premises, the Current Lease, the Lessee or the Permitted Tenancy, which additional rental shall be in such amount as shall be billed by the Port Authority to the Lessee and shall be paid by the Lessee to the Port Authority within ten (10) days of receipt of the bill therefor, provided, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(2) In no event shall there be any Permitted Tenancy unless on, and at all times prior to, the Current Lease Expiration Date all of the following terms and conditions shall have been complied with:

(aa) the term of the letting under the Current Lease be in full force and effect;

(bb) neither the Lessee nor the Port Authority shall be in receipt of, or have served or given, any valid notice of termination of the letting under the Current Lease;

(cc) the Port Authority shall not be in receipt of, nor have given or served, any valid notice of termination of the Port Authority's tenancy, possession, use, occupancy or other interest or estate in the Airport, including without limitation the Premises, whether under the Airport Lease, any hold over or other tenancy, occupancy or use or otherwise;

(dd) neither the City nor any other Person or entity claiming on behalf of, by or under the City shall have commenced any action or proceeding in a court of competent jurisdiction against the Port Authority or the Lessee or the interest or estate of the Port Authority or the Lessee for the use, occupancy or possession of the Premises or the Airport or other relief or damages in connection with possession of the Premises or the Airport, whether by way of an action for ejectment, eviction, summary proceedings or otherwise, provided, however, that where such action or proceeding shall have so commenced and the same is resolved or decided so that all of the terms and conditions set forth in this paragraph (f) are fully satisfied, including without limitation the continued, uninterrupted possession of the Airport by the Port Authority with the permission of the City and the continued, uninterrupted possession of the Premises by the Lessee, then said commencement of such action or proceeding shall not prevent the Permitted Tenancy;

(ee) the Lessee shall be in full compliance with all of the terms, provisions, covenants and conditions of the Current Lease on its part to be kept, performed and observed on the Current Lease Expiration Date; and further the Lessee shall not be in default or breach of any of the foregoing or, to the extent the Lessee has been granted a period to cure such default or breach by paragraph (a) of Section 20 hereof entitled

"Termination by the Port Authority" prior to such default or breach giving rise to the right of the Port Authority to terminate the term of the letting, the Lessee shall be in the process of curing such default or breach in compliance with the terms and conditions of said paragraph (a) and the Port Authority shall have not given or served a notice of termination on the Lessee, provided, however, no Permitted Tenancy shall or shall be deemed to be a waiver of any rights or remedies of the Port Authority, including without limitation, any of it rights of termination, in the event that the Lessee does not cure such default or breach as required by the terms and conditions of the Current Lease;

(ff) there shall not have occurred any event of termination under any term or provision of the Current Lease, including without limitation Section 18 entitled "Condemnation", Section 20 entitled "Termination by the Port Authority", Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events" and Section 54 entitled "Right of Termination-Securities Ownership";

(gg) there shall not have occurred any assignment of the Current Lease under Section 53 hereof entitled "Assignment to a Trust" or any Changes in Landlord Rights;

(hh) the use, occupancy and possession of the Premises by the Lessee and the use, occupancy and possession of the Airport and the Premises by the Port Authority shall have been continuous and without interruption from the Effective Date;

(ii) the term of the Current Lease and the letting thereunder shall not be on a month-to-month periodical basis pursuant to Section 52 or Section 53 hereof;

(jj) none of the Triggering Events listed in Exhibit 52.1 shall have occurred;

(kk) there shall have been no preceding Fee Transfer Date,

(ll) the Current Lease shall have not been extended to or beyond the Final Lease Extension Date,

(mm) All of the Required Conditions shall have occurred; and

(nn) The Lessee shall have submitted to the Port Authority such written representations, warranties and certifications, as may have been requested by the Port Authority as to each of the matters set forth in subparagraphs (aa) through (mm) above.

(3) Notwithstanding subparagraph (1) of this paragraph (f), nothing in this paragraph shall or shall be deemed to grant any rights in the Lessee to cause or be the reason for the Port Authority to be in breach of the Airport Lease or of any of the Port Authority's covenants or obligations to the City or to any other Person with respect to the use, occupancy or possession of the Premises by, through or under the Port Authority or by, through or under the Lessee and the

Lessee hereby expressly covenants and agrees that at no time shall the Lessee's use, occupancy or possession of the Premises cause or result in any breach of the Airport Lease or of any of the covenants or obligations of the Port Authority to the City or any other Person or entity or be the basis upon which any claim or demand is made against the Port Authority by the City or any other Person or entity. Further, nothing in this paragraph shall or shall be deemed to have created any obligation whatsoever in the Port Authority to continue in or defend any use, occupancy or possession of the Airport or the Premises by the Port Authority, the Lessee or other Person or entity after any Current Lease Expiration Date and the terms and conditions of this paragraph (f) shall be in all respects subject to, subordinate, and subservient to the terms and conditions of paragraph (e) of this Section, including without limitation, that any Permitted Tenancy shall be in all respects subject to, subordinate, and subservient to the Port Authority's use, occupancy, possession, rights, interests, tenancy and estate in and with respect to the Premises and the Airport.

(4) It is hereby agreed that no Permitted Tenancy shall or shall be deemed to be a hold over tenancy and nothing in this paragraph shall or shall be deemed to have created any obligation in the Port Authority or any right or interest in the Lessee or to any other Person or entity for the Lessee to be or become a hold over tenant of or under the Port Authority, provided, however, that all the terms and conditions of the Current Lease with respect to month-to-month periodical tenancies, including without limitation Sections 52 and 53 thereof, shall remain and be in full force and effect during the term of any Permitted Tenancy.

(g) Without limiting any other term or provision hereof, all the terms and provisions of this Section and the obligations of the Lessee thereunder shall survive the expiration or earlier termination of the letting under this Lease or shall survive any under any Current Lease and the expiration or earlier termination of any Permitted Tenancy

Section 4. Rental

Without affecting the rentals or the payment thereof under the Lease prior to the Effective Date, it is hereby agreed that from and after the Effective Date the rentals payable by the Lessee to the Port Authority under the Lease shall be as follows:

I. Definitions:

For the purposes of the Lease the following terms shall have the respective meanings given below:

(a) "Adjustment Period" shall mean as the context requires the twelve-month period commencing on January 1, 2001 and expiring on December 31, 2001, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on each January 1 and in the event the Lease expires or is terminated on other than the last day of an Adjustment Period then in such event "Adjustment Period" shall mean the actual number of days during such Adjustment Period that the Lease was in effect.

(b) "Area IA and IB Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Building No. 57 Area IA and the Building No. 57 Area IB pursuant to and calculated in accordance with the terms of paragraph (b) of Subdivision II this Section.

(c) "Area I Building Area" shall mean the Building No. 57 Area IA. the Building No. 57 Area IB and the Building No. 57 Area IC.

(d) "Area I Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Area I Building Area pursuant to and calculated in accordance with the terms of paragraph (c) of Subdivision II this Section.

(e) "Area II Building Area" shall mean the interior space (as described in Subdivision IV below) as shown in diagonal hatching and the pedestrian connector as shown in stipple diagonal hatching on pages 4 and 5 of the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 4.1" (which exhibit is herein called "Exhibit 4.1").

(f) "Area II Building Rental" shall mean the rental payable by the Lessee to the Port Authority for the Area II Building Area pursuant to and calculated in accordance with the terms of paragraph (d) of Subdivision II of this Section.

(g) "Base Terminal Rental Rate" shall mean the rental rate calculating in accordance with and pursuant to paragraph (e)(1) below.

(h) "Building No. 57 Area IA" shall mean the interior space (as described in Subdivision IV below) designated by the letter "A", and more specifically including Area 3-A, Area 4-A, Area 7-A, Area 9-A, Area 14-A, Area 15-A, Area 16-A, Area 21-A, Area 26-A and Area 29-A as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(i) "Building No. 57 Area IB" shall mean the interior space (as described in Subdivision IV below) designated by the letter "B", and more specifically including Area 1-B, Area 2-B, Area 11-B, Area 12-B, Area 13-B, Area 18-B, Area 23-B, Area 25-B, Area 27-B and Area 28-B, as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(j) "Building No. 57 Area IC" shall mean the interior space (as described in Subdivision IV below) designated by the letter "C", and more specifically including Area 5-C, Area 6-C, Area 8-C, Area 10-C, Area 17-C, Area 19-C, Area 20-C, Area 22-C, Area 24-C, Area 30-C and Area 31-C, as shown on pages 1 through 3 of Exhibit 4.1 hereof.

(k) "Building Rentals" shall collectively mean the Area I Building Rental

and the Area II Building Rental.

(l) "Building Rental End Date" shall mean the first day of the month after which all of the Required Conditions shall have first occurred.

(m) "CPI" or "Consumer Price Index" shall mean the Consumer Price Index for all Urban Consumers, New York-Northern New Jersey, Long Island, NY-NJ-CT (All Items, unadjusted 1982-84=100) published by the Bureau of Labor Statistics of the United States Department of Labor.

(n) "CPI Percentage Increase" shall mean the annual percentage increase, if any, in the CPI yielded by dividing the amount of the increase, if any, in the CPI for one Reference Month as compared to the CPI for the immediately preceding Reference Month, by the CPI for the earlier of the two Reference Months; as determined by the Port Authority.

(o) "Ground Rental" shall mean the rental payable by the Lessee to the Port Authority pursuant to and calculated in accordance with the terms of paragraph (a) of Subdivision II of this Section.

(p) "Reference Month" shall mean the month of December 1999 (the first Reference Month) and each succeeding month of December occurring during the remainder of the term of the letting under the Lease.

(q) "Rentals" shall collectively mean the Ground Rental, the Area IA and IB Building Rental, the Area I Building Rental and the Area II Building Rental.

(r) "Terminal Rental Adjustment Period" shall mean as the context requires the twelve-month period commencing on the first anniversary of the Terminal Rental Commencement Date and expiring on the day immediately preceding the second anniversary of the Terminal Rental Commencement Date, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on each anniversary of the Terminal Rental Commencement Date, provided, however, in the event the Terminal Rental Commencement Date is other than the first day of a calendar month, the "Terminal Rental Adjustment Period" shall mean as the context requires the twelve-month period commencing on the first day of the month in which the first anniversary of the Terminal Rental Commencement Date shall occur and expiring on the last of the month immediately preceding the month in which the second anniversary of the Terminal Rental Commencement Date shall occur, and each of the succeeding twelve-month periods thereafter occurring during the term of the letting under the Lease commencing on the first day of the month in which each succeeding anniversary date of the Terminal Rental Commencement Date shall occur, and provided, further, in the event the

Lease expires or is terminated on other than the last day of a Terminal Rental Adjustment Period then in such event "Terminal Rental Adjustment Period" shall mean the actual number of days during such Terminal Rental Adjustment Period that the Lease was in effect.

(s) "Terminal Rental" shall mean the rental payable by the Lessee to the Port Authority pursuant to and calculated in accordance with the terms of paragraph (e) of Subdivision II of this Section.

(t) "Terminal Rental Commencement Date" shall mean the earlier to occur of the 31st anniversary of the Effective Date or the 25th anniversary of the Redevelopment Work Completion Date.

(u) "Terminal Rental CPI Percentage Increase" shall mean the annual percentage increase, if any, in the CPI yielded by dividing the amount of the increase, if any, in the CPI for one Terminal Rental Reference Month as compared to the CPI for the immediately preceding Terminal Rental Reference Month, by the CPI for the earlier of the two Terminal Rental Reference Months; as determined by the Port Authority.

(v) "Terminal Rental Rate" shall mean the rental rate calculated by the Port Authority in accordance with the terms of paragraph (e) of Subdivision II of this Section.

(w) "Terminal Rental Reference Month" shall mean the month in which the Terminal Rental Commencement Date shall occur (the first Terminal Rental Reference Month) and each succeeding month in which an anniversary of the Terminal Rental Commencement Date shall occur during the remainder of the term of the letting under the Lease.

II. Rental:

(a) (1) Effective as of the Effective Date, the Lessee shall pay to the Port Authority a rental for the ground area shown in stipple and stipple diagonal hatching on Exhibit 1.1 (the "Ground Rental") at the rate of (Ex. 2.a.) per annum for the portion of the term of the letting from the Effective Date to December 31, 2000, both dates inclusive, which Ground Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the term of the letting under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2001, the Ground Rental shall be increased as follows: the Ground Rental set forth in paragraph (a)(1) above, shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002 and on the first day of each Adjustment Period occurring during the remainder of the term of the letting under the Lease, the Ground Rental shall be further increased for each Adjustment Period as follows: the amount of the Ground Rental set forth in paragraph (a)(1) above as the same may have been last adjusted under this paragraph (a), shall be multiplied (x) by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100% and (y) by 104%; and the greater of the amounts so obtained from the foregoing calculations set forth in clauses (x) and (y) shall be and become the Ground Rental in effect for the Adjustment Period.

(b) For the portion of the term of the letting from the Effective Date to December 31, 2002, both dates inclusive, the Lessee shall pay to the Port Authority a rental for the Building No. 57 Area IA and the Building No. 57 Area IB (the "Area IA and IB Building Rental") at the rate of
per annum. (Ex. 2.a)

(c) (1) Effective on January 1, 2003, the Lessee shall pay to the Port Authority a rental for the Area I Building Area (the "Area I Building Rental") at a rate per annum equal to the product obtained by multiplying 367,025 square feet by the Base Terminal Rental Rate in effect for the Adjustment Period commencing on January 1, 2003, which Area I Building Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End Date. From and after the Building Rental End Date, if any, there shall be no Area I Building Rental payable under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2004, the Area I Building Rental shall be increased as follows: the Area I Building Rental set forth in paragraph (c)(1) above, shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as

calculated using the two immediately preceding Reference Months (that is December 2002 and December 2003) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area I Building Rental in effect for the Adjustment Period commencing on January 1, 2004.

(ii) Effective on January 1, 2005, and on the first day of each Adjustment Period occurring during the remainder of the portion of the term of the letting under the Lease ending on the day immediately preceding Building Rental End Date, the Area I Building Rental shall be further increased for each Adjustment Period as follows: the amount of the Area I Building Rental set forth in paragraph (c)(1) above as the same may have been last adjusted under this paragraph (c), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area I Building Rental in effect for the Adjustment Period.

(d) (1) Effective as of the Effective Date, the Lessee shall pay to the Port Authority a rental for the Area II Building Area (the "Area II Building Rental") at the rate of (Ex. 2.a.) per annum for the portion of the term of the letting from the Effective Date to December 31, 2000, both dates inclusive, which Area II Building Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End Date. From and after the Building Rental End Date, if any, there shall be no Area I Building Rental payable under the Lease.

(2) The Port Authority shall ascertain the CPI for the first Reference Month and for each succeeding Reference Month after the same has been published, and the Port Authority shall also determine each CPI Percentage Increase.

(3) (i) Effective on January 1, 2001, the Area II Building Rental shall be increased as follows: the Area II Building Rental set forth in paragraph (d)(1) above, shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area II Building Rental in effect for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002, and on the first day of each Adjustment Period occurring during the remainder of the portion of the term of the letting under the Lease ending on the day immediately preceding the Building Rental End

Date, the Area II Building Rental shall be further increased for each Adjustment Period as follows: the amount of the Area II Building Rental set forth in paragraph (d)(1) above as the same may have been last adjusted under this paragraph (d), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Area II Building Rental in effect for the Adjustment Period.

(e) From and after the Terminal Rental Commencement Date, the Lessee shall pay to the Port Authority a rental for all the interior portions of the Premises (the "Terminal Rental") as follows:

(1) (i) Effective on January 1, 2001, the amount of (Ex.2.a.) (which amount it is hereby agreed is the annual per square foot rental for the Area II Building Area on the Effective Date and is hereinafter called the "Base Terminal Rental Rate") shall be increased as follows: the Base Terminal Rental Rate of 2.a. shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase as calculated using the two immediately preceding Reference Months (that is December 1999 and December 2000) plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Base Terminal Rental Rate for the Adjustment Period commencing on January 1, 2001.

(ii) Effective on January 1, 2002, and on the first day of each Adjustment Period occurring during the remainder of the term of the letting under the Lease up to and including the Terminal Rental Commencement Date, the Base Terminal Rental Rate shall be further increased for each Adjustment Period as follows: the amount of the Base Terminal Rental Rate set forth in paragraph (e)(1)(i) above as the same may have been last adjusted under this paragraph (e)(1), shall be multiplied by a percentage composed of ½ of the CPI Percentage Increase calculated using the two Reference Months immediately preceding the first day of the subject Adjustment Period plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Base Terminal Rental Rate for the Adjustment Period.

(2) The Port Authority shall determine the Terminal Rental Rate in effect on the Terminal Rental Commencement Date, which Terminal Rental Rate shall be equal to the product obtained by multiplying the number of square feet of interior space in the Premises on the Terminal Rental Commencement Date calculated on the basis set forth in Subdivision VI below, by the Base Terminal Rental Rate in effect during the Adjustment Period during which the Terminal Rental Commencement Date shall occur.

(3) (i) Effective on the Terminal Rental Commencement

Date, the Lessee shall pay to the Port Authority a Terminal Rental for the portion of the term of the letting under the Lease from the Terminal Rental Commencement Date to the last day of the month immediately preceding the month in which the first anniversary of the Terminal Rental Commencement Date occurs, both dates inclusive, at an annual rate equal to the product obtained by multiplying the Terminal Rental Rate in effect on the Terminal Rental Commencement Date by 33.33%, which Terminal Rental shall thereafter be adjusted on an annual basis as hereinafter set forth during the remainder of the term of the letting under the Lease.

(ii) The Port Authority shall ascertain the CPI for the first Terminal Rental Reference Month and for each succeeding Terminal Rental Reference Month after the same has been published, and the Port Authority shall also determine each Terminal Rental CPI Percentage Increase.

(iii) Effective on first day of the Terminal Rental Adjustment Period in which the first anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(i) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(i) above, shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the first anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 33.33%.

(iv) Effective on the first day of the Terminal Rental Adjustment Period in which the second anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(iii) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(iii) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the second anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 66.67%.

(v) Effective on the first day of the Terminal Rental Adjustment Period in which the third anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(iv) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(iv) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the third anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the product obtained by multiplying the Terminal Rental Rate for such Terminal Rental Adjustment Period by 66.67%.

(vi) Effective on first day of the Terminal Rental Adjustment Period in which the fourth anniversary of the Terminal Rental Commencement Date occurs, the Terminal Rental set forth in paragraph (e)(3)(v) above shall be increased as follows: (i) the Terminal Rental Rate determined in accordance with paragraph (e)(3)(v) above shall be multiplied by a percentage composed of ½ of the Terminal Rental CPI Percentage Increase as calculated using the two immediately preceding Terminal Rental Reference Months plus 100%; and the amount so obtained from the foregoing calculation shall be and become the Terminal Rental Rate in effect for the Terminal Rental Adjustment Period commencing on the first day of the month in which the fourth anniversary of the Terminal Rental Commencement Date occurs; and (ii) for such Terminal Rental Adjustment Period the Lessee shall pay to the Port Authority an annual Terminal Rental equal to the Terminal Rental Rate for such Terminal Rental Adjustment Period.

(f) (i) In the event the CPI is not available for any Reference Month, the Lessee shall continue to pay the Rentals at the annual rate then in effect subject to retroactive adjustment based upon the adjustment to the Rentals for such Adjustment Period when the CPI for such Reference Month becomes available. The Lessee hereby agrees to pay to the Port Authority all Rentals due and owing to the Port Authority on the basis of such retroactive adjustments on demand.

(ii) In the event the CPI is not available for any Terminal Rental Reference Month, the Lessee shall continue to pay the Terminal Rental at the annual rate then in effect subject to retroactive adjustment based upon the adjustment to the Terminal Rental for such Terminal Rental Adjustment Period when the CPI for such Terminal Rental Reference Month becomes available. The Lessee hereby agrees to pay to the Port Authority all Terminal Rental due and owing to the Port Authority on the basis of such retroactive adjustments on demand.

(g) In the event of the change of basis or the discontinuance of the publication by the United States Department of Labor of the CPI, such other appropriate index or indexes shall be substituted as may be agreed by the parties hereto as properly reflecting changes in the value of the current United States money in a manner similar to that established in the said indexes used in the latest adjustment. In the event of the failure of the parties to so agree, the Port Authority may select and use such index or indexes as it deems appropriate, provided, however, that the foregoing shall not preclude the Lessee from contesting the Port Authority's selection.

(h) In no event shall any adjustment in the Rentals for any change in the CPI result in a decrease in the Rentals, and in no event shall any adjustment in the Terminal Rental for any change in the CPI result in a decrease in the Terminal Rental, and in no event shall any adjustment in the Base Terminal Rental Rate for any change in the CPI result in a decrease in the Base Terminal Rental Rate.

III. Time of Payment of Rental

The Rentals hereunder shall be payable by the Lessee in advance in equal monthly installments on the Effective Date and on the first day of each and every calendar month thereafter occurring during the balance of the term of the letting under the Lease and the Terminal Rental hereunder shall be payable by the Lessee in advance in equal monthly installments on the Terminal Rental Commencement Date and on the first day of each and every calendar month thereafter occurring during the balance of the term of the letting. If any annual rental established hereunder shall be for less than a whole calendar year each monthly installment payable during such year shall be equal to one-twelfth (1/12th) of said annual rental. If any installment of rental payable hereunder shall be for less than a full calendar month then the rental payment for the portion of the month for which such payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

IV. Abatement

Except as set forth in Subdivision V below, in the event that the Lessee shall at any time by the provisions of this Agreement expressly be entitled to abatement of the rentals for the Premises, said abatement shall be computed as follows (it being understood that there shall be no abatement of such rentals under the Lease for any portion of the Premises or any portion of the term except as specifically provided in this Subdivision IV and in Subdivision V and, without limiting the generality of the foregoing, it is hereby understood that there shall be no abatement of any rentals for any portion of the Premises due to demolition of all or any portion of the Area I Building Area or the Area II Building Area performed as part of the Redevelopment Work):

(a) Ground Rental Abatement

For each acre of land in the Premises the use of which is denied to the Lessee:

(1) For the portion of the term of the letting from the Effective Date through December 31, 2000, both dates inclusive, at the daily rate of $191.78; and

(2) For the portion of the term of the letting from January 1, 2001 through the remainder of the term of the letting at the daily rate of $191.78 as appropriately adjusted to reflect any and all adjustments in the Ground Rental pursuant to paragraph (a) of Subdivision II of this Section.

(b) Area IA and IB Building Rental Abatement

For each square foot of the 250,000 square feet of interior space in Building No. 57 Area IA and in Building No. 57 Area IB, the use of which is denied to the Lessee, for the portion of the term of the letting from the Effective Date through December 31, 2002, at the daily rate of $.038356, it being understood and agreed there shall be no abatement for any space in the Building No. 57 Area IC during such period.

(c) Area I Building Rental Abatement

For each square foot of the 367,025 square feet of interior space in the Area I Building Area, the use of which is denied to the Lessee:

(1) For the portion of the term of the letting under the Lease from January 1, 2003 to December 31, 2003, both dates inclusive, at a daily rate equal to the Base Terminal Rental Rate in effect for the Adjustment Period commencing on January 1, 2003, as the same may be reduced by the provisions of paragraph (c)(3) below; and

(2) For the portion of the term of the letting from January 1, 2004 and ending on the day immediately preceding the Building Rental End Date, at the daily rate set forth in paragraph (c)(1) above as appropriately adjusted to reflect any and all adjustments in the Area I Building Rental pursuant to paragraph (c) of Subdivision II of this Section, as the same may be reduced by the provisions of paragraph (c)(3) below.

(3) At any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(1) of Subdivision V below, the abatement rates set forth in paragraphs (c)(1) and (c)(2) of this Subdivision IV shall be reduced by multiplying such rates by 66.67%; and at any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(2) of Subdivision V below, the abatement rates set forth in paragraphs (c)(1) and (c)(2) of this Subdivision IV shall be

reduced by multiplying such rates by 33.33%.

(4) From and after the Building Rental End Date there shall be no abatement of the Area I Building Rental.

(d) Area II Building Rental Abatement

For each square foot of the 306,467 square feet of interior space in the Area II Building Area, the use of which is denied to the Lessee:

(1) For the portion of the term of the letting from the Effective Date through December 31, 2000, both dates inclusive, at the daily rate of $.076712, as the same may be reduced by the provisions of paragraph (d)(3) below; and

(2) For the portion of the term of the letting from January 1, 2001 and ending on the day immediately preceding the Building Rental End Date, at the daily rate of $.076712 as appropriately adjusted to reflect any and all CPI adjustments pursuant to paragraph (d) of Subdivision II above, as the same may be reduced by the provisions of paragraph (d)(3) below.

(3) At any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(1) of Subdivision V below, the abatement rates set forth in paragraphs (d)(1) and (d)(2) of this Subdivision IV shall be reduced by multiplying such rates by 66.67%; and at any time that the Lessee shall be entitled to an abatement of Building Rentals pursuant to paragraph (a)(2) of Subdivision V below, the abatement rates set forth in paragraphs (d)(1) and (d)(2) of this Subdivision IV shall be reduced by multiplying such rates by 33.33%.

(4) From and after the Building Rental End Date there shall be no abatement of the Area II Building Rental.

(e) Terminal Rental Abatement

For each square foot of interior space in the Premises, the use of which is denied to the Lessee:

(i) For the portion of the term of the letting from the Terminal Rental Commencement Date and ending on the day immediately preceding the first Terminal Rental Adjustment Period, at a daily rate equal to the quotient obtained by dividing the Terminal Rental in effect for such portion of the term of the letting by the number of square feet in the interior portion of the Premises on the Terminal Rental

Commencement Date.

(ii) For each Terminal Rental Adjustment Period, at a daily rate equal to the quotient obtained by dividing the Terminal Rental in effect for such Terminal Rental Adjustment Period by the number of square feet in the interior portion of the Premises on the Terminal Rental Commencement Date.

V. Additional Building Rental Abatement:

(a) In addition to the abatement of rentals set forth in Subdivision IV above, the Building Rentals shall be partially abated up to and including the earlier to occur of the day immediately preceding Building Rental End Date or the day immediately preceding the tenth (10th) anniversary of the Effective Date, as follows:

(1) For the period commencing on the later to occur of (i) the second (2nd) anniversary of the Effective Date or (ii) the first day of the month after the month in which the Lessee shall have made a Redevelopment Work Investment totaling (Ex. 2.a.) to and including the later to occur of (i) the day immediately preceding the fourth (4th) anniversary of the Effective Date or (ii) the last day of the month during which the Lessee shall have made a Redevelopment Work Investment totaling (Ex.2.a.) the Building Rentals set forth in paragraphs (c) and (d) of Subdivision II of this Section shall be partially abated by an amount equal to the product obtained by multiplying the same by 33.33%, and for such period the Building Rentals shall be abated by the amount of such product, provided, however, in no event shall the Lessee be entitled to an abatement of Building Rentals pursuant to this subparagraph (1) from and after the tenth (10th) anniversary of the Effective Date; and

(2) For the period commencing on the later to occur of (i) the fourth (4th) anniversary of the Effective Date or (ii) the first day of the month after the month in which the Lessee shall have made a Redevelopment Work Investment totaling (Ex. 2.a.) to and including the earlier to occur of the day immediately preceding the Building Rental End Date, if any, or the day immediately preceding the tenth (10th) anniversary of the Effective Date, the Building Rentals set forth in paragraphs (c) and (d) of Subdivision II of this Section (and not as abated pursuant to subparagraph (1) of this Subdivision V) shall be partially abated by an amount equal to the product obtained by multiplying the same by 66.66%, and for such period the Building Rentals shall be abated by the amount of such product, provided, however, in no event shall the Lessee be entitled to an abatement of Building Rentals pursuant to this subparagraph (2) from and after the tenth (10th) anniversary of the Effective Date.

VI. For the purposes of this Section, all of the interior space shall be measured and the same shall be ascertained by measuring between the interior plaster surfaces of the exterior building walls, and no deductions will be made therefrom for columns, pilasters, projections, partitions, toilets, vertical shafts, elevator shafts, stairs, fire towers, vents, pipe shafts, meter closets, flues, stacks, structures or facilities of any kind or anything else located therein.

Section 5. Use of Premises

(a) The Lessee, in connection with its business of transportation by aircraft, may use the Premises for the following purposes and for activities reasonably required for such purposes and for such purposes and activities only:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of the Lessee at the Airport. The occasional reservation of space and the sale of tickets for transportation by other carriers shall not be deemed to be prohibited by this provision.

(3) For the clearance, checking and rendering of service to passengers of the Lessee and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests, or invitees, subject to the provisions of Section 63 hereof entitled "Club Rooms".

(5) For the handling of baggage of passengers of the Lessee including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles.

(7) For the conduct of operations, traffic, communications, reservations and administrative office functions and activities in connection with air transportation performed by the Lessee.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee.

(9) For the storage of repair parts, supplies and other personal property owned or leased by the Lessee and for the performance of minor repairs to personal property of the Lessee.

(10) For the storage of such automotive fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over-the-counter sales to officers and employees of the Lessee or of any Subsidiary of the Lessee and their families and to occasional business guests of such officers and employees (other than passengers of the Lessee), of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee and either directly by the Lessee or through a Subsidiary thereof or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of the Lessee during layovers between flights and for the establishment of lounges for employees of the Lessee.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies, provided that the use of the Premises for the unloading and loading of passengers and their baggage from ground transportation vehicles shall be subject to limitation and restriction, from time to time, as set forth in Section 62 hereof entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways-Use of Airport Taxi Dispatchers and Roadway Frontage Management".

(14) For the parking and storage of aircraft and ramp equipment operated by the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by the Lessee and for the maintenance of ramp equipment operated by the Lessee.

(16) For the performance of aircraft maintenance, subject to the limitations imposed by paragraph (j) of Section 9 hereof entitled "Prohibited Acts".

(17) For the training of personnel employed or to be employed by the Lessee or other Persons engaged in commercial transportation by aircraft, provided, that unless consented to by the Port Authority, the Lessee shall not engage in the training of persons employed by others or to be employed by others if the training of such persons is in competition with any concessionaire, permittee or licensee of the Port Authority at the Airport (other than another Person engaged in the business of transportation by aircraft).

(18) For the temporary storage of baggage, mail and air cargo.

(19) For Federal Inspection Service(s) by federal agencies (if the United States Government makes the same available to the Lessee).

(20) For any other purpose or activity, in addition to those specified in this Section, for which the Premises are expressly authorized to be used by any other provision of this Agreement.

(b) The loading or unloading on the Premises of all aircraft used principally for cargo is expressly prohibited. Further, notwithstanding any other term or provision of this Lease, including without limitation, any reference to Handled Airlines, Requesting Airline, Accommodated Handled Airline, Accommodated Sublessee Airline or Associated or Affiliated Companies, it is understood and agreed that the Lessee is prohibited hereunder from performing any services for any other Aircraft Operator without the prior written consent of the Port Authority, which consent the Port Authority shall have no obligation whatsoever to give.

Section 6. Compliance with Governmental Requirements

(a) The Lessee shall promptly comply with, observe and execute all laws and ordinances and governmental rules, regulations, orders, requirements and similar items, including without limitation, all Environmental Requirements, now or at any time during the term of this Agreement which as a matter of law are applicable to or which affect (i) the Premises or the groundwater thereunder, (ii) the operations of the Lessee at the Premises or the Airport, (iii) the occupancy and use of the Premises and/or (iv) any Hazardous Substance which has migrated from or from under the Premises; it being expressly agreed and understood the foregoing obligations of the Lessee shall include without limitation the ACO and all the work required to be performed thereunder. The Lessee shall, in accordance with and subject to the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" or Section 33 hereof entitled "Other Construction of the Lessee", as the case shall be, make any and all structural and non-structural improvements, alterations or repairs of the Premises and perform all remediation, containment and clean-up of Hazardous Substances required in order to fully satisfy the compliance obligations set forth herein.

(b) The Lessee shall procure from all Governmental Authorities having jurisdiction over the operations of the Lessee hereunder all licenses, certificates, permits or other authorization which may be necessary for the conduct of such operations. "Governmental Authority" shall not be construed as intending to include The Port Authority of New York and New Jersey, the lessor under this Agreement.

(c) The obligation of the Lessee to comply with governmental requirements is provided herein for the purpose of assuring proper safeguards for the protection of persons and property on the Premises. Such provision is not to be construed as a submission by the Port

Authority to the application to itself of such requirements or any of them.

(d) Since the Port Authority has agreed in the Basic Lease to conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, the Lessee shall comply with all such enactments, ordinances, resolutions and regulations which would be applicable to its operations hereunder if the Port Authority were a private corporation, except in cases where the Port Authority either notifies the Lessee that it need not comply with or directs it not to comply with any such enactments, ordinances, resolutions or regulations which are applicable only because of the Port Authority's agreement in the Basic Lease. The Lessee shall, for the Port Authority's information, deliver to the Port Authority promptly after receipt of any notice, warning, summons, or other legal process for the enforcement of any such enactment, ordinance, resolution or regulation a true copy of the same. Any direction by the Port Authority to the Lessee not to comply with any such enactment, ordinance, resolution or regulation shall be given only pursuant to a resolution duly adopted by the Board of Commissioners of the Port Authority or by an authorized committee of its Board and if any such direction is given by the Port Authority to the Lessee, the Port Authority, to the extent that it may lawfully do so, shall indemnify and hold the Lessee harmless from and against all claims, actions, damages, liabilities, fines, penalties, costs and expenses suffered or incurred by the Lessee as a result of non-compliance with such enactment, ordinance, resolution or regulation.

(e) The Lessee shall have such time within which to comply with the aforesaid laws, ordinances, rules and regulations as the authorities enforcing the same shall allow.

Section 7. Rules and Regulations

(a) The Lessee covenants and agrees to observe and obey (and to require its officers, employees, guests, invitees and those doing business with it to observe and obey) the existing Rules and Regulations of the Port Authority, and such reasonable future Rules and Regulations of the Port Authority (including amendments and supplements thereto) for the government of the conduct and operations of the Lessee and others on the Premises as may from time to time during the letting be promulgated by the Port Authority for reasons of safety, health, noise, sanitation or good order. The obligation of the Lessee to require such observance and obedience on the part of its guests, invitees and business visitors shall obtain only while such Persons are on the Premises. The Port Authority agrees that except in cases of emergency, it will give notice to the Lessee of every such future rule or regulation adopted by it at least ten (10) days before the Lessee shall be required to comply therewith.

(b) The use by the Lessee and its officers, employees, guests, invitees,

sublessees, and those doing business with it, of the Public Aircraft Facilities and any and all other portions of the Airport which it may be entitled to use under this Lease (other than space leased to the Lessee for its exclusive use) shall be subject to the Rules and Regulations of the Port Authority in effect as of the Effective Date, and such reasonable future rules and regulations (including amendments and supplements to existing Rules and Regulations) as the Port Authority may from time to time promulgate in the public interest and in the interest of health, safety, noise, sanitation, good order and the economic and efficient operation of the Airport, including but not limited to, the number and type of aircraft which at any particular time may use the Public Aircraft Facilities and the time or times when such aircraft may use the Public Aircraft Facilities. Without limiting the foregoing, the Port Authority may take into account in adopting such Rules and Regulations the adequacy, capacity and suitability of (i) aircraft using the Airport, (ii) passenger handling facilities at the Airport including but not limited to the AirTrain, (iii) the Public Aircraft Facilities at the Airport, (iv) the roadways and (v) the parking facilities. In the event the Port Authority promulgates rules and regulations pursuant to this paragraph (b), the Port Authority may devise and implement reasonable procedures including but not limited to, allocations among Aircraft Operators at the Airport.

(c) Nothing contained in this Section shall authorize the Port Authority to promulgate rules or regulations or impose any conditions upon the Lessee which conflict with the safeguards granted to the Lessee pursuant to the provisions of Section 12.04 of the General Airport Agreement. The provisions of the preceding sentence shall apply and pertain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

(d) If a copy of the Rules and Regulations is not attached, then the Port Authority will notify the Lessee thereof either by delivery of a copy, or by making a copy available at the office of the Secretary of the Port Authority.

Section 8. Various Obligations of the Lessee

(a) The Lessee shall conduct its operations hereunder in an orderly and proper manner, so as not to unreasonably annoy, disturb or be offensive to others at or off the Airport. The Lessee shall take all reasonable measures to eliminate vibrations originating on the Premises tending to damage any equipment, structure, building or portion of a building which is on the Premises, or is a part thereof, or is located elsewhere on or off the Airport.

(b) The Lessee shall use its best efforts to conduct all its operations at the Premises in a safe and careful manner, following in all respects the best practices of the air transportation industry in the United States.

(c) The Port Authority shall have the right to object to the Lessee regarding the

conduct and demeanor of the employees of the Lessee whereupon the Lessee will take all steps reasonably necessary to remove the cause of the objection. If requested by the Port Authority the Lessee shall supply and shall require its employees to wear or carry badges or other suitable means of identification, which shall be subject to the prior and continuing approval of the General Manager of the Airport.

(d) The Lessee shall control all vehicular traffic on the roadways or other areas within the Premises and shall take all precautions reasonably necessary to promote the safety of its passengers and all other persons on the Premises. The Lessee shall employ such means as may be necessary to direct the movement of vehicular traffic within the Premises to prevent traffic congestion on the public roadways leading to the Premises.

(e) The Lessee shall remove from the Airport or otherwise dispose of in a manner approved by the General Manager of the Airport all garbage, debris and other waste materials (whether solid or liquid) arising out of its occupancy of the Premises or out of its operations. Any such which may be temporarily stored in the open, shall be kept in suitable garbage and waste receptacles, the same to be made of metal or other suitable material, and equipped with tightfitting covers, and to be of a design safely and properly to contain whatever material may be placed therein. The Lessee shall use extreme care when effecting removal of all such waste materials, and shall effect such removal at such times and by such means as first approved by the Port Authority. No such garbage, debris or other waste materials shall be or be permitted to be thrown, discharged or deposited into or upon the waters at or bounding the Airport.

(f) From time to time and as often as reasonably required by the Port Authority, the Lessee shall conduct pressure, water-flow, and other appropriate tests of the fire extinguishing system and apparatus, fire-alarm and smoke detection systems and any other fire protection systems which constitute a part of the Premises. The Lessee shall keep in proper functioning order all fire-fighting equipment, fire-alarm and smoke detection equipment on the Premises and the Lessee shall at all times maintain on the Premises adequate stocks of fresh, usable chemicals for use in such systems, equipment and apparatus. The Lessee shall notify the Port Authority prior to conducting such tests. If requested by the Port Authority, the Lessee shall furnish the Port Authority with a copy of written reports of such tests.

(g) It is the intention of the parties hereto that noise caused by aircraft engine operations shall be held to a minimum considering the nature of the Lessee's operations. To this end the Lessee will conduct its operations in such a manner as to keep the noise produced by aircraft engines to a minimum and where appropriate shall employ noise arresting and noise reducing devices that are suitable. Aircraft testing and aircraft run-ups will be conducted only in such areas as shall meet with the prior and continuing approval of the Port Authority. The obligations assumed by the Lessee under this paragraph (g) shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to noise under this Agreement.

(h) In its use of the Premises, the Lessee shall use its best efforts to minimize jet or prop blast interference to aircraft operating on or to buildings and structures now located on or which in the future may be located on areas adjacent to the Premises. In the event the Port Authority determines at any time and from time to time that the Lessee has not so minimized the jet or prop blast interference, it may serve a notice on the Lessee to such effect and if the condition is not corrected to the satisfaction of the Port Authority within thirty (30) days after the service of said notice, the Lessee hereby covenants and agrees to erect and maintain at its own expense such structure or structures as may be necessary to minimize the said jet or prop blast interference, subject, however, to the prior written approval of the Port Authority as to the type, manner and method of construction. The obligations assumed by the Lessee under this paragraph shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to interference under this Agreement.

(i) In addition to compliance by the Lessee with all laws, ordinances, governmental rules, regulations and orders now or at any time in effect during the term of the letting hereunder which as a matter of law are applicable to the operation, use or maintenance by the Lessee of the Premises or the operations of the Lessee under this Agreement (the foregoing not to be construed as a submission by the Port Authority to the application to itself of such requirements or any of them), the Lessee agrees that it shall exercise the highest degree of safety and care and shall conduct all its operations under this Lease and shall operate, use and maintain the Premises in accordance with the highest standards and in such manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the Premises by the Lessee and from the operations of the Lessee under this Agreement. The Port Authority hereby reserves the right from time to time and at any time during the term of this Lease to require the Lessee, and the Lessee agrees to design and construct at its sole cost and expense such reasonable structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the objectives as set forth in the first sentence of this paragraph. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. The obligations assumed by the Lessee under this paragraph shall continue throughout the term of this Lease and shall not be limited, affected, impaired or in any manner modified by the fact that the Port Authority shall have approved any construction application and supporting plans, specifications and contracts covering construction work and notwithstanding the incorporation therein of the Port Authority's recommendations or requirements and notwithstanding that the Port Authority may have at any time during the term of the Lease consented to or approved any particular procedure or method of operation which the Lessee may have proposed or the Port Authority may have itself prescribed the use of any procedure or method. The agreement of the Lessee to assume the obligations under this paragraph is a special inducement and consideration to the Port Authority in entering into this Lease with the Lessee.

(j) The Lessee shall periodically inspect, clean out and maintain the oil separators serving the Premises which are located on the Premises and the oil separators located outside the Premises if they exclusively serve the Premises.

Section 9. Prohibited Acts

(a) The Lessee shall commit no unlawful nuisance, waste or injury on the Premises or at the Airport, and shall not do or permit to be done anything which may result in the creation or commission or maintenance of such nuisance, waste or injury on the Premises or at the Airport.

(b) The Lessee shall not create nor permit to be caused or created upon the Premises any obnoxious odors or smokes, or noxious gases or vapors. The creation of exhaust fumes by the operation of the Lessee's internal-combustion engines or aircraft engines of other types, so long as such engines are maintained and are being operated in a proper manner, shall not be a violation of this paragraph.

(c) The Lessee shall not do or permit to be done anything which may interfere with the effectiveness or accessibility of the drainage and sewerage system, water system, communications system, underground fuel system, electrical fire-protection system, sprinkler system, alarm system, fire hydrants and hoses and other systems, if any, installed or located on, under, or in the Premises.

(d) The Lessee shall not do or permit to be done any act or thing upon the Premises (1) which will invalidate or conflict with any fire insurance, extended coverage or rental insurance policies covering the Premises or any part thereof, or the Airport, or any part thereof, or (2) which, in the opinion of the Port Authority, may constitute an extra-hazardous condition, so as to increase the risks normally attendant upon the operations contemplated by Section 5 hereof entitled "Use of Premises". The Lessee shall promptly observe, comply with and execute the provisions of any and all present and future rules and regulations, requirements, orders and directions of the National Board of Fire Underwriters and the Fire Insurance Rating Organization of New York, or of any other board or organization exercising or which may exercise similar functions, which may pertain or apply to the operations of the Lessee on the Premises, and the Lessee shall, subject to and in accordance with the provisions of Section 33 hereof entitled "Other Construction by the Lessee", make any and all structural and non-structural improvements, alterations or repairs of the Premises that may be required at any time hereafter by any such present or future rule, regulation, requirement, order or direction. If by reason of any failure on the part of the Lessee to comply with the provisions of this paragraph any fire insurance rate, extended coverage or rental insurance rate on the Premises or any part thereof, or on the Airport or any part thereof, shall at any time be higher than it would be if the Premises were properly used for the purposes permitted by Section 5 hereof entitled "Use of Premises", then the Lessee shall pay to the

Port Authority, as an item of additional rental, that part of all insurance premiums paid by the Port Authority which shall have been charged because of such violation or failure by the Lessee.

(e) The Lessee shall not dispose of nor permit any one to dispose of any waste material taken from its aircraft (whether liquid or solid) by means of the toilets, manholes, sanitary sewers or storm sewers in the Premises except after treatment in installations or equipment included in plans and specifications submitted to and approved by the Port Authority.

(f) The Lessee shall not keep or store during any 24-hour period flammable liquids within any enclosed portion of the Premises (other than in rooms or areas expressly constructed for the storage of such liquids) in excess of the Lessee's working requirements during the said 24-hour period. Any such liquids having a flash point of less than 110° F. shall be kept and stored in safety containers of a type approved by the Underwriters Laboratories or the Factory Mutual Insurance Association.

(g) (1) The Lessee shall prevent access by persons or vehicles (unless duly authorized by the Port Authority) to the Public Landing Area from the Premises except for aircraft, which aircraft shall be equipped with radio receivers tuned to control tower frequencies and adequately manned in accordance with applicable Port Authority Rules and Regulations. Such aircraft may be towed by a motor vehicle equipped with a radio receiver tuned to the appropriate control tower frequency and adequately manned or such other means as may be approved by the Port Authority. The Lessee shall control access by its passengers and patrons from and to aircraft ramp, apron and parking areas on the Premises and shall maintain control of its passengers and patrons while they are upon said areas by proper measures to insure that the highest standards of safety are maintained.

(2) The Lessee shall furnish adequate security and guard service or such comparable means as approved by the Port Authority from time to time, on a 24 hour, seven day-a-week basis for the prevention of access to and control of persons on the aeronautical operations areas of the Premises and the prevention of access to the Public Landing Area.

(h) The Lessee shall not operate any engine or any item of automotive equipment in any enclosed space on the Premises unless such space is adequately ventilated and unless such engine is equipped with a proper spark-arresting device which has been approved by the Port Authority.

(i) The Lessee shall not operate or cause to be operated aircraft engines in any portions of the Premises other than for the purpose of taxiing aircraft to and from the Premises or in connection with authorized aircraft maintenance on the Premises.

(j) The Lessee shall not perform any aircraft maintenance on the Premises except that

emergency aircraft maintenance and transit or turn around aircraft maintenance shall not be deemed to be prohibited by this provision.

(k) The Lessee shall not keep or store aviation fuel on the Premises except that fueling equipment may be operated on the Premises in accordance with the provisions of the General Airport Agreement covering the underground fuel system and with the Port Authority Rules and Regulations pertaining thereto.

(l) The Lessee shall not overload any floor and shall repair any floor, including supporting members, and any paved area damaged by overloading. Nothing in this paragraph or elsewhere in this Agreement shall be or be construed to be a representation by the Port Authority of the weight any floor or paved area will bear.

(m) The Lessee shall not use or permit the use of any structural supporting member of the buildings or roofs or any part thereof for the storage of any material or equipment, or hoist, lift, move or support any material or equipment or other weight or load, by means of said trusses or structural supporting members, without prior approval of the Port Authority.

(n) The Lessee shall not use any cleaning materials having a harmful corrosive effect, on any part of the Premises.

(o) The Lessee shall not fuel or defuel any equipment in the enclosed portions of the Premises without prior approval of the General Manager of the Airport.

(p) The Lessee shall not dispose of, release or discharge nor permit anyone to dispose of, release or discharge any Hazardous Substance on the Premises or at the Airport.

(q) The Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the Premises or in any streets, ways and walks adjacent or near the Premises.

(r) The Lessee agrees that it will not erect, construct or maintain or otherwise create or continue any obstacle or so park or store any aircraft or other object on the Premises so as to create any obstacle that will hamper or interfere with the free, orderly, unobstructed and uninterrupted passage of vehicles, aircraft or of the wings or other integral part of aircraft of any type, nature or description, while such vehicle is operating or aircraft is taxiing or being transported or towed along the Runways, taxiways and roads outside of and adjacent to the Premises.

Section 10. Care, Maintenance, Rebuilding and Repair by the Lessee

(a) The Lessee shall repair, replace, rebuild and paint all or any part of the Premises

which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other persons on or at the Premises with the Lessee's consent and shall pay to the Port Authority the costs and expenses of the Port Authority to repair, replace, rebuild and paint all or any part of the Airport which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other persons on or at the Premises with the Lessee's consent.

(b) The Lessee shall, throughout the term of this Lease, assume the entire responsibility and shall relieve the Port Authority from all responsibility for all repair, rebuilding and maintenance whatsoever in the Premises (and off the Premises as provided below), whether such repair, rebuilding or maintenance be ordinary or extraordinary, partial or entire, inside or outside, foreseen or unforeseen, structural or otherwise, and without limiting the generality of the foregoing, the Lessee shall:

(1) Keep at all times in a clean and orderly condition and appearance, the Premises and all the Lessee's fixtures, equipment and personal property which are located in any part of the Premises which is open to or visible by the general public;

(2) Remove all snow and ice and perform all other activities and functions necessary or proper to make the Premises available for use by the Lessee;

(3) Take good care of the Premises and maintain the same at all times in good condition; perform all necessary preventive maintenance, including but not limited to painting (the exterior of the Premises and areas visible to the general public to be painted only in colors which have been approved by the Port Authority); and make all repairs and replacements, and do all rebuilding, inside and outside, ordinary and extraordinary, partial and entire, foreseen and unforeseen, structural or otherwise, which repairs, rebuilding and replacements by the Lessee shall be in quality and class not inferior to the original in materials and workmanship.

(4) Provide and maintain all obstruction lights and similar devices on the Premises, and provide and maintain all fire protection and safety equipment and all other equipment of every kind and nature required by any law, rule, ordinance, resolution or regulation of the type and nature described in Section 6 hereof entitled "Compliance with Governmental Requirements" and Section 7 hereof entitled "Rules and Regulations". The Lessee shall enter into and keep in effect throughout the term of the Lease a contract or contracts with a central station alarm company acceptable to the Port Authority to provide continuous and automatic surveillance of the fire protection system on the Premises. The Lessee shall insure that all fire alarm signals with respect to the Premises shall also be transmitted to the Airport's police emergency alarm board or to such other location on the Airport as the General Manager of the Airport may direct. The Lessee's obligations hereunder shall in no way create any obligation whatsoever on the part of the Port Authority;

(5) Take such anti-erosion measures and maintain the landscaping at all times in good condition, including but not limited to periodic replanting, as the Port Authority may require, and perform and maintain such other landscaping with respect to all portions of the Premises not paved or built upon as the Port Authority may require;

(6) Be responsible for the maintenance and repair of all utility service lines, including but not limited to, service lines for the supply of water, electric power and telephone conduits and lines, sanitary sewers and storm sewers, located upon the Premises or located adjacent to the Premises and used by the Lessee exclusively;

(7) Be responsible for the maintenance and repair of any damage to the paving or other surface of the Premises caused by any oil, gasoline, grease, lubricants or other flammable liquids and substances having a corrosive or detrimental effect thereon;

(8) Be responsible for all paving, lighting, signage, storm drains, culverts, cables, supporting structures, cleaning and snow removal in connection with existing and future access roadways which are located off of the Premises and serve the Premises exclusively; and

(9) Be responsible for the maintenance and repair of the sanitary sewer between manholes S-2 and S-18, including without limitation, any lift station, pumps and other ancillary equipment.

(c) In the event the Lessee fails to commence so to maintain, clean, repair, replace, rebuild or paint within a period of twenty (20) days after notice from the Port Authority so to do in the event that the said notice specifies that the required work to be accomplished by the Lessee includes maintenance and/or repair other than preventive maintenance; or within a period of one hundred eighty (180) days if the said notice specifies that the work to be accomplished by the Lessee involves preventive maintenance only, or fails diligently to continue to completion the repair, replacement, rebuilding or painting of all of the Premises required to be repaired, replaced, rebuilt or painted by the Lessee under the terms of this Agreement, the Port Authority may, at its option, and in addition to any other remedies which may be available to it, repair, replace, rebuild or paint all or any part of the Premises included in the said notice, and the cost thereof shall be payable by the Lessee upon demand.

(d) Notwithstanding the terms and conditions of Section 5 of this Lease entitled "Use of Premises", paragraph (d) of Section 8 of this Lease entitled "Various Obligations of the Lessee" and this Section, it is hereby agreed and understood that except as set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall have no right nor obligation to operate, control, maintain, rebuild or repair (i) the traffic signaling system located on the roadway frontage of the Premises and the roadways located off the Premises and which was installed by the Port Authority or by the Lessee as part of the

Redevelopment Work and generally consists of traffic lights and signals and associated wiring and control panels, or (ii) the variable message sign system located on the roadway frontage of the Premises and the roadways located off the Premises and which was installed by the Port Authority or by the Lessee as part of the Redevelopment Work and generally consists of message signs, lights, wiring and control panels (which traffic signaling system and variable message sign system are hereinafter collectively called the "Traffic Systems"), provided, however, the Lessee shall pay to the Port Authority as additional rent all costs and expenses to repair, replace and rebuild all or any portion of the Traffic Systems which may be damaged or destroyed by the acts or omissions of the Lessee or by those of its officers or employees or of other Persons on or at the Premises. Further, the Port Authority shall not have any obligation hereunder or otherwise to operate, maintain, control or continue the operation of the Traffic Systems and may at any time and from time to time discontinue the operation of any or all of the Traffic Systems and/or disable such Traffic Systems and/or remove them from the Premises and from the roadways located off of the Premises. The Port Authority shall have the right at its sole discretion to modify, replace and substitute the Traffic Systems with identical or different systems as the Port Authority shall elect and to operate and control the Traffic Systems, including without limitation, to determine the content of and to place messages on the variable message system and to determine the operating mode of the traffic signaling system.

(e) If the performance of any of the foregoing repair, maintenance, replacement, repainting or rebuilding obligations of the Lessee requires work to be performed near an active taxiway or taxilane or where safety of operations is involved, the Lessee agrees, unless otherwise permitted by the Port Authority in writing, that it will, at its own expense, post guards or take such other appropriate measures as may be directed by the General Manager of the Airport to insure the safety of the work performed thereat.

Section 11. Insurance

(a) The Lessee shall, during the term of this Agreement, insure and keep insured to the extent of 100% of the replacement value thereof, all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Premises against all risks of physical loss or damage (including, but not limited to flood and earthquake risks), if available, and if not available, then against such hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York and also against damage or loss by windstorm, cyclone, tornado, hail, explosion, riot, civil commotion, aircraft, vehicles and smoke, under the Standard Form of Fire Insurance Policy of New York and the form of extended coverage endorsement prescribed as of the effective date of the said insurance by the rating organization having jurisdiction, and if the Port Authority so requests, also covering contamination hazards and risks and boiler and machinery hazards and risks in a separate insurance policy or policies or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the rating organization

having jurisdiction and/or the Superintendent of Insurance of the State of New York and the Lessee shall furthermore provide additional insurance covering any other peril of loss or damage that the Port Authority at any time during the term of this Agreement covers by carrier or self-insurance covered by appropriate reserves at other locations at the Airport upon written notice to the Lessee to such effect.

(b) The aforesaid insurance coverages and renewals thereof shall insure the Port Authority, the Lessee and the City of New York, as insureds, as their interests may appear, and shall provide that the loss, if any, shall be adjusted with and payable to the Port Authority.

(c) In additional to all other policies of insurance required under this Lease, the Lessee shall also procure and maintain throughout the term of the letting hereunder (including all extensions) Business Interruption Insurance in such amounts as shall be at least sufficient to cover, and applicable to, all rentals, fees, charges and other payments that are payable by the Lessee to the Port Authority under this Lease for a period of not less than three (3) years for any business interruption losses in business revenue that occur when the Premises or any portion thereof is unusable or is out of operations due to a fire or any other risks or hazards that are normally covered under a standard form of "All Risk" policy.

(d) In the event the Premises or any part thereof shall be damaged by any casualty against which insurance is carried pursuant to this Section, the Lessee shall promptly furnish to the Port Authority such information and data as may be necessary to enable the Port Authority to adjust the loss.

(e) The policies or certificates representing insurance covered by this Section shall, if not already delivered, shall be delivered by the Lessee to the Port Authority prior to the Effective Date and the policies or certificates representing the insurance covered by Section 2B(d)(12) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" shall be delivered by the Lessee to the Port Authority prior to the commencement of any Section 2B Work and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereon, and also, a valid provision obligating the insurance company to furnish the Port Authority and the City of New York ten (10) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least ten (10) days before the expiration of the insurance which such policies are to renew.

(f) Regardless, however, of the Persons whose interests are insured, the proceeds of all policies covered by this Section shall be applied as provided in Section 12 hereof entitled "Damage to or Destruction of Premises"; and the word "insurance" and all other references to insurance in said Section 12 shall be construed to refer to the insurance which is the subject matter of this Section, and to refer to such insurance only.

(g) The insurance covered by this Section and by Section 2B(d)(12) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of said policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port of New York District.

Section 12. Damage to or Destruction of Premises

(a) Removal of Debris. If the Premises, or any part thereof, shall be damaged by fire, the elements, the public enemy or other casualty, the Lessee shall promptly remove all debris resulting from such damage from the Premises, and to the extent, if any, that the removal of debris under such circumstances is covered by insurance, the proceeds thereof shall be made available to and be used by the Lessee for such purpose.

(b) Minor Damage. If the Premises, or any part thereof, shall be damage by fire, the elements, the public enemy or other casualty but not rendered untenantable or unusable for a period of ninety (90) days, the Premises shall be repaired with due diligence in accordance with the plans and specifications for the Premises as they existed prior to such damage by and at the expense of the Lessee and if such damage is covered by insurance the proceeds thereof shall be made available to and be used by the Lessee for that purpose.

(c) Major Damage to or Destruction of the Premises. If the Premises, or any part thereof shall be destroyed or so damaged by fire, the elements, the public enemy or other casualty as to be untenantable or unusable for ninety (90) days, or if within ninety (90) days after such damage or destruction the Lessee notifies the Port Authority in writing that in its opinion said Premises will be untenantable or unusable for ninety (90) days then: The Lessee shall proceed with due diligence to make the necessary repairs or replacements to restore such Premises in accordance with the plans and specifications for the Premises as the same existed prior to such damage or destruction; or with the approval in writing of the Port Authority make such other repairs, replacements or changes as may be desired by the Lessee. If such destruction or damage was covered by insurance, the proceeds thereof shall be made available to and used by the Lessee for such restoration.

(d) The obligation of the Lessee to repair or replace shall be limited to the amount of the insurance proceeds provided the Lessee has carried insurance to the extent and in accordance with Section 11 hereof entitled "Insurance". Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

(e) The parties hereby stipulate that neither the provisions of Section 227 of the Real Property Law of New York nor those of any other similar statute shall extend or apply to this Agreement.

Section 13. Indemnity and Liability Insurance

(a) (1) The Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands of third persons including, but not limited to, claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of this Agreement, or out of the use or occupancy of the Premises by the Lessee or by others with its consent, or out of any other acts or omissions of the Lessee, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises, or arising out of the acts or omissions of the Lessee, its officers and employees elsewhere at the Airport (excepting only claims and demands arising from the sole negligence of the Port Authority), including claims and demands of the City of New York from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the said City.

(2) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(b) (1) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under this Agreement, the Lessee during the term of this Agreement in its own name as insured and including the Port Authority as an additional insured including without limitation for premises operations and completed operations, shall maintain and pay the premiums on a policy or policies of Commercial General Liability Insurance, including premises-operations, products, completed operations, liquor liability and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below, and Commercial Automobile Liability Insurance covering owned, non-owned and hired vehicles in not less that the minimum limit set forth below, and Environmental Impairment Liability Insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period and, instead of being

included as an additional insured as aforesaid, including the Port Authority as an insured, as owner, and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to Section 59 hereof entitled "Environmental Obligations" and paragraph (e) of Section 65 hereof entitled "Storage Tanks", in not less than the limit set forth below (subject to a deductible or not more than Five Thousand Dollars and No Cents ($5,000.00) per claim). Each of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third Person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority and any claim or action against the Port Authority by the Lessee as though the Port Authority were a named insured but such endorsement shall not limit, vary, change, or affect the protection afforded the Port Authority thereunder as an additional insured. In addition, the said policy or policies of Commercial General Liability Insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Lessee under paragraph (a) hereof, Section 1 hereof entitled "Letting", Section 2B(q) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", Section 3(e)(7) hereof entitled "Term", paragraph (b)(2) of Section 19 hereof entitled "Assignment and Sublease", Section 29 hereof entitled "Removal of Property", Section 30 hereof entitled "Brokerage", paragraph (j) of Section 41 hereof entitled "Hot Water and Chilled Water Requirements", Section 59 hereof entitled "Environmental Obligations", Section 65 hereof entitled "Storage Tanks", paragraph (d) of Section 66 hereof entitled "Non-Discrimination" and Section 84 hereof entitled "Duty-Free Shop".

	Minimum Limits
Commercial General Liability Combined single limit per occurrence for death, bodily injury and property damage liability:	$100,000,000.00
Commercial Automobile Liability (covering owned, non-owned and hired vehicles) Combined single limit per occurrence for death, bodily injury and property damage liability:	$25,000,000.00
Environmental Impairment Liability Combined single limit per occurrence for death, bodily injury and property damage liability for both gradual and sudden occurrences and	

both on-site and off-site cleanup: $10,000,000.00

(2) The Lessee shall also procure and maintain in effect, or cause to be procured and maintained in effect, Workers' Compensation Insurance and Employer's Liability Insurance in accordance with and as required by law and including coverage for asbestos exposure.

(3) Without limiting the provisions hereof, in the event the Lessee maintains the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with the terms and provisions hereof.

(c) Notwithstanding the foregoing, it is specifically understood and agreed that the Port Authority shall have the right upon notice to the Lessee given from time to time and at any time to require the Lessee to increase any or all of the foregoing limits to commercially reasonable amounts and the Lessee shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Port Authority.

(d) As to the insurance required by the provisions of this Section and Section 2B(d)(11) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority. As to insurance required by this Section, delivery shall be made before the Effective Date and as to insurance required by Section 2B(d)(11) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", delivery shall be made at least fifteen (15) days prior to the commencement of any Section 2B Work. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy or certificate shall contain a valid provision or endorsement that the policy may not be cancelled, terminated, changed or modified without giving fifteen (15) days' written advance notice thereof to the Port Authority. Each such copy or certificate shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy shall be delivered to the Port Authority at least fifteen (15) days prior to the expiration of each expiring policy, except for any policy expiring after the date of expiration of the term of this Agreement. The aforesaid insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If the Port

Authority at any time so requests, a certified copy of each of the policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port of New York District.

Section 14. Signs

(a) Except with the prior written approval of the Port Authority, the Lessee shall not erect, maintain or display any signs or advertising at or on the exterior parts of the Premises or in the Premises so as to be visible from outside the Premises or at or on any other portion of the Airport outside the Premises. Interior signs affecting public safety and security shall be in accordance with established Port Authority standards.

(b) Upon the expiration or termination of the letting, the Lessee shall remove, obliterate or paint out, as the Port Authority may direct, any and all signs and advertising on the Premises or elsewhere on the Airport and in connection therewith shall restore the portion of the Premises and the Airport affected by such signs or advertising to the same condition as existing prior to the installation of such signs and advertising. In the event of a failure on the part of the Lessee so to remove, obliterate or paint out each and every such sign or advertising and so to restore the Premises and the Airport, the Port Authority may perform the necessary work and the Lessee shall pay the cost thereof to the Port Authority on demand.

Section 15. Obstruction Lights

The Lessee shall install, maintain and operate at its own expense such obstruction lights on the Premises as the Federal Aviation Administration may direct or as the General Manager of the Airport may reasonably direct, and shall energize such lights daily for a period commencing thirty (30) minutes before sunset and ending thirty (30) minutes after sunrise (as sunset and sunrise may vary from day to day throughout the year) and for such other period as may be directed or requested by the control tower of the Airport.

Section 16. Additional Rent and Charges

If the Port Authority has paid any sum or has incurred any obligations or expenses (including without limitation payments to third Persons and internal Port Authority costs and expenses) which the Lessee has agreed to pay or reimburse the Port Authority for or if the Port Authority is required or elects to pay any sum or sums or incurs any obligations or expense (including without limitation payments to third Persons and internal Port Authority costs and expenses) by reason of the failure, neglect or refusal of the Lessee to perform or one or more of the conditions, covenants or agreements contained in this Agreement or as a result of an act or omission of the Lessee contrary to the said conditions, covenants and agreements, the Lessee agrees to pay the sum or sums so paid or the expense so incurred, including all interest, costs, damages and

penalties, and the same may be added to any installment of rent thereafter due hereunder, and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally a part of the rent as set forth in Section 4 hereof entitled "Rental".

Section 17. Rights of Entry Reserved

(a) The Port Authority, by its officers, employees, agents, representatives and contractors shall have the right at all reasonable times to enter upon the Premises for the purpose of inspecting the same, for observing the performance by the Lessee of its obligations under this Agreement, and for the doing of any act or thing which the Port Authority may be obligated or have the right to do under this Agreement or otherwise.

(b) Without limiting the generality of the foregoing, the Port Authority, by its officers, employees, agents, representatives, and contractors, and furnishers of utilities and other services, shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of others than the Lessee at the Airport, to maintain existing and future utility, mechanical, electrical and other systems and to enter upon the Premises at all reasonable times to make such repairs, replacements or alterations as may, in the opinion of the Port Authority, be deemed necessary or advisable and, from time to time, to construct or install over, in or under the Premises new systems or parts thereof, and to use the Premises for access to other parts of the Airport otherwise not conveniently accessible; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the Premises by the Lessee.

(c) (1) Further, without limiting the generality of this Section, the Port Authority, by its officers, employees, agents, representatives and contractors and furnishers of service shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of others than the Lessee at the Airport to maintain the portions of the Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility located under or on the Premises and to enter upon the Premises at all times to make such repairs, replacements or alterations to the Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility as may, in the opinion of the Port Authority, be deemed necessary or desirable and, from time to time to construct or install over, in or under the Premises additions or extensions to said Distribution Portion of the underground fuel system, the Traffic Systems and the Cogeneration Facility; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the Premises by the Lessee pursuant to the provisions of this Agreement.

(2) Neither the Distribution Portion of the System, the AirTrain, the Traffic Systems or the Cogeneration Facility nor any part of any of the foregoing shall be or be deemed to

be a part of the Premises under the Lease.

(d) In the event that any property of the Lessee shall obstruct the access of the Port Authority, its employees, agents or contractors to any of the existing or future utility, mechanical, electrical and other systems, the foregoing to include without limitation the Distribution Portion of the System, the AirTrain, the Traffic Systems and the Cogeneration Facility, and thus shall interfere with the inspection, maintenance or repair of any such system, the Lessee shall move such property, as directed by the Port Authority, in order that the access may be had to the system or part thereof for its inspection, maintenance or repair, and, if the Lessee shall fail to so move such property after direction from the Port Authority to do so, the Port Authority may move it and the Lessee hereby agrees to pay the cost of such moving upon demand.

(e) Nothing in this Section shall or shall be construed to impose upon the Port Authority any obligations so to construct or maintain or to make repairs, replacements, alterations or additions, or shall create any liability for any failure so to do. The Lessee is and shall be in exclusive control and possession of the Premises and the Port Authority shall not in any event be liable for any injury or damage to any property or to any Person happening on or about the Premises nor for any injury or damage to the Premises nor to any property of the Lessee or of any other Person located in or thereon (other than those occasioned by the affirmative acts of the Port Authority, its employees, agents and representatives).

(f) At any time and from time to time during ordinary business hours within the six (6) months next preceding the expiration of the letting, the Port Authority, for and by its agents and employees, whether or not accompanied by prospective lessees, occupiers or users of the Premises, shall have the right to enter thereon for the purpose of exhibiting and viewing all parts of the same.

(g) If, during the last month of the letting, the Lessee shall have removed all or substantially all its property from the Premises, the Port Authority may immediately enter and alter, renovate and redecorate the Premises.

(h) The exercise of any or all of the foregoing rights by the Port Authority or others shall not be or be construed to be an eviction of the Lessee nor be made the grounds for any abatement of rental nor any claim or demand for damages, consequential or otherwise.

Section 18. Condemnation

(a) Definitions

(1) As used in this Section, the phrase, "Temporary Interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to the possession of such property (whether or not such interest includes or is coextensive

with an interest of the Lessee therein under this Agreement), for an indefinite term or for a term terminable at will or at sufferance or for a term measured by a war or an emergency or other contingency or for a fixed term expiring prior to the expiration date of this Lease; and the phrase "Permanent Interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to possession thereof, other than a Temporary Interest, including among others a fee simple and an interest for a term of years expiring on or after the expiration date of this Agreement.

(2) As used in this Section with reference to any Premises or facilities leased to the Lessee for its exclusive use or with reference to the Public Landing Area, the phrase a "Material Part" shall mean such a part of the said Premises or said Public Landing Area that the Lessee cannot continue to carry on its normal operations at the Airport without using such part.

(b) Condemnation or Taking of a Permanent Interest in All or Any Part of the Demised Premises or All or a Material Part of the Public Landing Area.

(1) Upon the acquisition by condemnation or the exercise of the power of eminent domain by any body having a superior power of eminent domain of a Permanent Interest in all or any part of the Premises or of a Permanent Interest in all or any part of the Public Landing Area (any such acquisition under this Section hereinafter referred to as a "Taking"), the Port Authority shall purchase from the Lessee, and the Lessee shall sell to the Port Authority, the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises except that in the event of a Taking of less than all of the said Premises, the Port Authority shall purchase and the Lessee shall sell only so much of the Lessee's leasehold interest in the Premises as are taken. The sole and entire consideration to be paid by the Port Authority to the Lessee shall be an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises or, in the event of a Taking of less than all of the said Premises, an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in so much of the Premises as are taken. However, the Port Authority shall purchase and the Lessee shall sell only if the consideration paid by the Port Authority therefor will constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration can otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such Taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease. Such purchase and sale shall take effect as of the date upon which such body having superior power of eminent domain obtains possession of any such Permanent Interest in the Premises or in the Public Landing Area, as the case may be, and in that event, the Lessee (except with respect to its personal property), shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property)

by reason thereof are hereby assigned to the Port Authority.

(2) If, however, the amount to be paid by the Port Authority (the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises) for such leasehold interest will not constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants, expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration cannot otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such Taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in any such event, the Lessee shall have the right to appear and file its claim for damages in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive such amount as it may lawfully be entitled to receive as damages or payment as a result of such Taking, because of its leasehold interest in the Premises, up to but not in excess of an amount equal to Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. The Port Authority and the Lessee hereby agree that as full and final settlement of any sum that may be due as rent or otherwise for the balance of the term of this Lease, the Lessee will pay to the Port Authority the excess, if any, which the Lessee may be entitled to receive over the foregoing sum. If there be no excess, any sum that may be due as rent or otherwise for the balance of the term of this Lease shall abate.

(3) In the event of the Taking of all of the Premises and if the Lessee has no Unamortized Redevelopment Investment in the Premises at the time of the Taking, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in that event, this Lease and all rights granted by this Lease to the Lessee to use or occupy the Premises for its exclusive use or for its use in common with others at the Airport and all rights, privileges, duties and obligations of the parties in connection therewith or arising thereunder shall terminate as of the date of the Taking, and in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

(4) In the event that the Taking covers only a Material Part of the Premises, then the Lessee and the Port Authority shall each have an option exercisable by notice given within ten (10) days after the effective date of such Taking to terminate the letting hereunder with respect to the Premises not taken, as of the date of such Taking and such termination shall be effective as if the date of such Taking were the original date of expiration hereof. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for a consideration equal to the Unamortized

Redevelopment Investment, if any, of the Lessee in the Premises not taken. If the letting of the entire Premises is not terminated, the settlement or abatement of rentals after the date possession is taken by the body having a superior power of eminent domain shall be in accordance with Section 4 hereof entitled "Rental".

(c) Condemnation or Taking of a Permanent Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Permanent Interest in less than a Material Part of the Public Landing Area, the Port Authority and the Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such Taking. However, if at the time of such Taking the Lessee has no Unamortized Redevelopment Investment, in the Premises, in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such Taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

(d) Condemnation or Taking of a Temporary Interest in All or Any Part of the Demised Premises or All or a Material Part of the Public Landing Area.

(1) Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Temporary Interest in all or any part of the Premises or of a Temporary Interest in all or a Material Part of the Public Landing Area, there shall be no abatement of any rental payable by the Lessee to the Port Authority under the provisions of this Agreement but the Lessee shall have the right to claim and in the event of an award therefor shall be entitled to retain the amount which may be awarded as damages or paid as a result of the condemnation or other Taking of such Temporary Interest, provided, that the Lessee shall be obligated to pay over to the Port Authority all such payments as may be made to the Lessee as damages or in satisfaction of such claim, after deduction of (a) reasonable expenses incurred by the Lessee in the prosecution of such claim; (b) an amount equal to the Unamortized Redevelopment Investment, if any, of the Lessee in the Unamortized Redevelopment Investment in the Premises as are taken, to the extent in either case that the same is to be amortized over the period of the Taking; and (c) the then present capitalized value of the Lessee's obligation for rentals thereafter payable during the period of the Taking in respect to the Premises, or, in the event of a Taking of less than all of the said Premises, in respect to the Premises so taken.

(2) In the event that the Taking covers a Material Part but less than all of the

Premises, then the Lessee and the Port Authority shall each have an option, exercisable by notice given within ten (10) days after the effective date of such Taking, to suspend the term of the letting of such of the Premises as are not so taken during the period of the Taking, and, in that event, the rentals for such Premises shall abate for the period of the suspension. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for the period of suspension for a consideration equal to the Unamortized Redevelopment Investment, if any, of the Lessee in such Premises which is to be amortized over the period of such suspension.

(e) Condemnation or Taking of a Temporary Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a Temporary Interest in less than a Material Part of the Public Landing Area, the Lessee shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such condemnation or Taking, and all rights to damages, if any, of the Lessee, including consequential damages, by reason of such condemnation or Taking, are hereby assigned to the Port Authority.

Section 19. Assignment and Sublease

(a) The Lessee covenants and agrees that it will not sell, convey, transfer, mortgage, pledge or assign this Agreement or any part thereof, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of the Lessee which is or is to be a Scheduled Aircraft Operator, and with or into which the Lessee may merge or consolidate, or which may succeed to the assets of the Lessee or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft, and provided, further, that such succeeding entity or purchaser executes and delivers to the Port Authority an instrument in a form satisfactory to the Port Authority assuming the obligations of the Lessee as if it were the original tenant hereunder.

(b) (1) The Lessee shall not sublet the Premises or any part thereof, without the prior written consent of the Port Authority, provided, however, that if any of the events set forth in Section 37(a) (1) hereof entitled "Termination by Lessee" shall occur, the Lessee may sublet the entire Premises or assign this Agreement with the consent of the Port Authority, which consent will not be unreasonably withheld if the sublessee or assignee is a Scheduled Aircraft Operator.

(2) (i) The Lessee hereby certifies, warrants and represents to the Port Authority that the Lessee is a wholly-owned subsidiary of AMR by virtue of the fact that AMR is

the absolute and unconditional owner of all of the issued and outstanding capital stock of the Lessee and, further, that American Eagle Airlines, Inc., a corporation of the State of Delaware (hereinafter called "American Eagle"), is a wholly-owned subsidiary of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all of the issued and outstanding capital stock of American Eagle.

(ii) Notwithstanding any provision of this Lease and in addition thereto, and without the requirement for any permit, consent to sublease or other use agreement from the Port Authority and in reliance upon the certification, warranty and representation of the Lessee set forth in subparagraph (2)(i) above, the Port Authority hereby grants its consent to the use of the Premises by American Eagle, such use being without payment of the Port Authority fees for such use, in accordance with the terms and conditions of the Lease for so long as both the Lessee and American Eagle are wholly-owned subsidiaries of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all the issued and outstanding capital stock of the Lessee and of American Eagle and to the Lessee performing ground handling for American Eagle in accordance with the terms and conditions of the Lease for so long as both the Lessee and American Eagle are wholly-owned subsidiaries of AMR by virtue of the fact that AMR is the absolute and unconditional owner of all the issued and outstanding capital stock of the Lessee and of American Eagle, such ground handling being without payment of the Port Authority fees therefor. In the event either the Lessee or American Eagle or both shall cease to be a wholly-owned subsidiary of AMR, the Lessee shall immediately so inform the Port Authority and thereafter a document or documents shall be prepared by the Port Authority and sent to the Lessee for execution by the Lessee and American Eagle which document(s) shall include, among other things, the right of American Eagle to continue to use the Premises and for the Lessee to perform ground handling for American Eagle on the terms and conditions of the Lease, and the joint and several obligation of the Lessee and American Eagle to pay to the Port Authority the then appropriate Port Authority fees therefor.

(iii) It is specifically understood and agreed that any sublease or other agreement or arrangement (hereinafter called the "American Eagle Arrangement") covering American Eagle's use and/or occupancy of the Premises shall be for a term expiring no later than the day before the expiration date of this Agreement and shall provide that the portion of the Premises to be used by American Eagle shall be used solely for the purposes set forth in Section 5 hereof. Each American Eagle Arrangement shall also provide, in accordance with Sections 52 and 53 hereof, that the term of the American Eagle Arrangement shall immediately terminate and American Eagle shall become a tenant at sufferance in the event of a termination of the term of the Lease and the Lessee becomes a holdover tenant on a month-to-month periodical tenancy pursuant to said Sections 52, 53 or otherwise.

(iv) Without limiting any rights or remedies of the Port Authority or obligations of American Eagle, the Lessee hereby assumes all risks and responsibilities for American Eagle's operations at the Airport including without limitation the payment of fees and charges payable by American Eagle to the Port Authority and the Lessee hereby agrees that all acts

and omissions of American Eagle at the Airport shall be and be deemed to be acts and omissions of the Lessee. Without limiting the generality of the foregoing or any other term or provision of this Agreement, the failure of American Eagle to comply with any agreement, term, covenant or condition of the Lease shall be and be deemed to be a failure of the Lessee to have complied with such agreement, term, covenant or condition and further the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses, whether those of the Port Authority's Law Department or otherwise, including legal expenses incurred in connection with the defense of) all claims and demands of third Persons including but not limited to claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of this Agreement by American Eagle, or out of the use or occupancy of the Premises by American Eagle or by others with its consent, or out of any other acts or omissions of American Eagle, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises, or arising out of the acts or omissions of American Eagle, its officers and employees elsewhere at the Airport, including claims and demands of the City of New York, from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the said City. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provision of any statutes respecting suits against the Port Authority.

(c) If without the prior written consent of the Port Authority, the Lessee assigns, sells, conveys, transfers, mortgages, pledges or sublets in violation of paragraphs (a) or (b) of this Section or if the Premises are occupied by anybody other than the Lessee, the Port Authority may collect rent from any assignee, sublessee or anyone who claims a right under this Agreement or letting or who occupies the Premises, and the Port Authority shall apply the net amount collected to the rental herein reserved; but no such collection shall be deemed a waiver by the Port Authority of the covenants contained in paragraphs (a) and (b) of this Section or an acceptance by the Port Authority of any such assignee, sublessee, claimant or occupant as Lessee, nor a release of the Lessee by the Port Authority from the further performance by the Lessee of the covenants contained herein.

(d) Neither the limited right of assignment provided in paragraph (a) hereof nor the exercise of said right by the Lessee shall be construed or deemed to release, relieve or discharge any succeeding assignee, successor or transferee of the Lessee or any other Person claiming any right, title or interest in this Agreement from the requirement of obtaining the prior written consent of the Port Authority in the event it wishes to sell, convey, transfer, mortgage, pledge, sublet or assign this Agreement or any part thereof, or any rights created thereby or the letting hereunder or any part

thereof, or any rights created thereby without such prior written consent of the Port Authority.

(e) The Port Authority shall not assign or otherwise transfer this Lease or any of its rights hereunder (i) to any private Person without written consent duly executed by the Lessee; or (ii) to the City of New York, unless the City of New York at the time of such assignment or transfer assumes the obligations of the Port Authority under this Lease.

(f) The Lessee shall not use or permit any Person to use the Premises or any portion thereof for any purpose other than the purposes stated in Section 5 hereof entitled "Use of Premises". Except as provided in this Agreement or otherwise permitted in writing by the Port Authority, the Lessee shall not permit the Premises to be used or occupied by any Person other than its own officers, employees, passengers, contractors and representatives.

Section 20. Termination by the Port Authority

(a) If any one or more of the following events shall occur, that is to say:

(1) The Lessee shall become insolvent or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

(2) By order or decree of a court the Lessee shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of the stockholders of the Lessee, seeking its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any law or statute of the United States or any state thereof, provided that if any such judgment or order is stayed or vacated within sixty (60) days after the entry thereof, any notice of cancellation shall be and become null, void and of no effect; or

(3) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer having jurisdiction, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of the Lessee, and such possession or control shall continue in effect for a period of sixty (60) days; or

(4) The Lessee shall voluntarily abandon, desert or vacate the Premises or discontinue its operations at the Airport, or after exhausting or abandoning any right of further appeal, the Lessee because of an act or omission of the Lessee, shall be prevented for a period of thirty (30) days by action of any Governmental Agency other than the Port Authority having

jurisdiction thereof, from conducting its operations at the Airport; or

(5) Any lien is filed against the Premises because of any act or omission of the Lessee and shall not be discharged within thirty (30) days after the Lessee has received notice thereof; or

(6) Except as otherwise in paragraph (a) of Section 19 hereof entitled "Assignment and Sublease", the letting hereunder or the interest or estate of the Lessee under this Agreement shall be transferred directly by the Lessee or shall pass to or devolve upon, by operation of law or otherwise, any other Person, firm or corporation; or

(7) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute shall be filed against the Lessee and shall not be dismissed within ninety (90) days after the filing thereof; or

(8) Except as otherwise provided in paragraph (a) of Section 19 hereof entitled "Assignment and Sublease", the Lessee, if a corporation, shall, without the prior written approval of the Port Authority, become a possessor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution (except that a merger or consolidation shall not be grounds for termination if the resulting corporation has a financial standing as of the date of the merger or consolidation at least as good as that of the Lessee by which is meant that its working capital, its ratio of current assets to current liabilities, its ratio of fixed assets to fixed liabilities and its net worth shall be at least as favorable as that of the Lessee); or

(9) The Lessee shall fail duly and punctually to pay the rentals or to make any other payment required hereunder when due to the Port Authority and shall continue in its failure to pay rentals or to make any other payments required hereunder for a period of twenty (20) days after receipt of notice by it from the Port Authority to make such payments; or

(10) The Lessee shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement on its part to be kept, performed, or observed, within thirty (30) days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligation requires activity over a period of time, and the Lessee shall have commenced to perform whatever may be required for fulfillment within thirty (30) days after receipt of notice and continues such performance without interruption except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance thereof, the Port Authority may upon twenty (20) days' notice terminate the rights of the Lessee hereunder and the letting, such termination to be effective upon the date specified in such notice. Such right of termination and the exercise thereof shall be and operate as a conditional limitation.

(b) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Port Authority would have at law or in equity consequent upon any breach of this Agreement by the Lessee, and the exercise by the Port Authority of any right of termination shall be without prejudice to any other such rights and remedies.

(c) No failure by the Port Authority to insist upon the strict performance of any agreement, term, covenant or condition of the Lease or to exercise any right or remedy consequent upon a breach or default thereof, and no extension, supplement or amendment of the Lease during or after a breach thereof, unless expressly stated to be a waiver, and no acceptance by the Port Authority of rentals, fees, charges or other payments in whole or in part after or during the continuance of any such breach or default, shall constitute a waiver of any such breach or default of such agreement, term, covenant or condition. No agreement, term, covenant or condition of the Lease to be performed or complied with by the Lessee, and no breach or default thereof, shall be waived, altered or modified except by a written instrument executed by the Port Authority. No waiver by the Port Authority of any default or breach on the part of the Lessee in performance of any agreement, term, covenant or condition of this Lease shall affect or alter the Lease, but each and every agreement, term, covenant and condition thereof shall continue in full force and effect with respect to any other then existing or subsequent breach or default thereof.

Section 21. Right of Re-entry

The Port Authority shall, as an additional remedy upon the giving of a notice of termination as provided in Section 20 hereof entitled "Termination by the Port Authority" or any other Section hereof, have the right to re-enter the Premises and every part thereof upon the effective date of termination without further notice of any kind, and may regain and resume possession either with or without the institution of summary or any other legal proceedings or otherwise. Such re-entry, or regaining or resumption of possession, however, shall not in any manner affect, alter or diminish any of the obligations of the Lessee under this Agreement, and shall in no event constitute an acceptance of surrender.

Section 22. Waiver of Redemption

The Lessee hereby waives any and all rights to recover or regain possession of the Premises and all rights of redemption, granted by or under any present or future law in the event it is evicted or dispossessed for any cause, or in the event the Port Authority obtains possession of the Premises in any lawful manner.

Section 23. Survival of the Obligations of the Lessee

(a) In the event that the letting shall have been terminated in accordance with a notice

of termination as provided in Section 20 hereof entitled "Termination by the Port Authority", or the interest of the Lessee canceled pursuant thereto, or in the event that the Port Authority has re-entered, regained or resumed possession of the Premises in accordance with the provisions of Section 21 hereof entitled "Right of Re-entry", all the obligations of the Lessee under this Agreement shall survive such termination or cancellation, or re-entry, regaining or resumption of possession and shall remain in full force and effect for the full term or the letting under this Agreement, and the amount or amounts of damages or deficiency shall become due and payable to the Port Authority to the same extent, at the same time or times and in the same manner as if no termination, cancellation, re-entry, regaining or resumption of possession had taken place. The Port Authority may maintain separate actions each month to recover the damage or deficiency then due or at its option and at any time may sue to recover the full deficiency less the proper discount, for the entire unexpired term.

(b) The amount of damages for rentals for the period of time subsequent to termination or cancellation (or re-entry, regaining or resumption of possession) shall be the sum of the following:

(1) The amount of the total of all annual Rentals, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(2) The amount of the total of all Terminal Rental, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(3) On account of the Lessee's obligations to pay the Cost of Assumable Maintenance and Repair set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority", an amount equal to the total sum of the Capital Cost under said Section 56 hereof less the amount thereof payable prior to the effective date of termination, and

(4) On account of the Lessee's obligations to pay the Costs of the Condition Survey set forth in Section 57 hereof entitled "Joint Periodic Condition Survey", an amount equal to the Costs of the Condition Survey under said Section 57 hereof less the amount thereof payable prior to the effective date of termination, and

(5) On account of the Lessee's obligations to pay the Lessee's Parking Garage

Contribution set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost", an amount equal to the Lessee's Parking Garage Contribution, less the Parking Garage Payments payable to the Port Authority prior to the effective date of termination, and

(6) An amount equal to all expenses reasonably incurred by the Port Authority in connection with such termination, cancellation, re-entry, regaining or resumption of possession, the restoration of the Premises (on failure of the Lessee to have restored), the reletting of the Premises, the care and maintenance of the Premises during any period of vacancy and such completion of the Section 2B Work to put the Premises in rentable condition, the foregoing to include without limitation, legal expenses (including but not limited to the cost to the Port Authority of in-house legal services), brokerage fees and commissions, repairing and altering the Premises and putting the Premises in order (such as but not limited to cleaning and decorating the Premises).

Section 24. Reletting by the Port Authority

The Port Authority upon termination or cancellation pursuant to Section 20 hereof entitled "Termination by the Port Authority", or upon any re-entry, regaining or resumption of possession pursuant to Section 21 hereof entitled "Right of Re-entry", may occupy the Premises or may relet the Premises, and shall have the right to permit any Persons, firm or corporation to enter upon the Premises and use the same. Such reletting may be of part only of the Premises or a part thereof together with other space, and for a period of time the same as or different from the balance of the term hereunder remaining, and on terms and conditions the same as or different from those set forth in this Agreement. The Port Authority shall also, upon termination or cancellation pursuant to the said Section 20, or upon its re-entry, regaining or resumption of possession pursuant to the said Section 21, have the right to repair or to make structural or other changes in the Premises, including changes which alter the character of the Premises and the suitability thereof for the purpose of the Lessee under this Agreement, without affecting, altering or diminishing the obligations of the Lessee hereunder. In the event either of any reletting or of any actual use and occupancy by the Port Authority (the mere right of the Port Authority to use and occupy not being sufficient however) there shall be credited to the account of the Lessee against its survived obligations hereunder any net amount remaining after deducting from the amount actually received from any lessee, licensee, permittee or other occupier in connection with the use of the said Premises or portion thereof during the balance of the letting as the same is originally stated in this Agreement, or from the market value of the occupancy of such portion of the Premises as the Port Authority may during such period actually use and occupy, all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith. No such reletting shall be or be construed to be an acceptance of a surrender.

Section 25. Remedies to be Non-Exclusive

All remedies provided in this Agreement shall be deemed cumulative and additional and not in lieu of or exclusive of each other or of any other remedy available to the Port Authority or to the Lessee at law or in equity, and the exercise of any remedy, or the existence herein of other remedies or indemnities shall not prevent the exercise of any other remedy.

Section 26. Surrender

The Lessee covenants and agrees to yield and deliver peaceably to the Port Authority possession of the Premises on the date of cessation of the letting, whether such cessation be by termination, expiration or otherwise, promptly and in good condition.

Section 27. Acceptance of Surrender of Lease

No agreement of surrender or to accept a surrender shall be valid unless and until the same shall have been reduced to writing and signed by the duly authorized representatives of the Port Authority and of the Lessee. Except as expressly provided in this Section, neither the doing of, nor any omission so to do, any act or thing, by any of the officers, agents or employees of the Port Authority, shall be deemed an acceptance of a surrender of the letting or of this Agreement.

Section 28. Effect of Basic Lease

(a) The letting shall, in any event, terminate with the termination or expiration of the Basic Lease with the City of New York which covers the Premises, such termination to be effective on such date and to have the same effect as if the term of the letting had on that date expired. The rights of the Port Authority in the Premises are those granted to it by the Basic Lease, and no greater rights are granted or intended to be granted to the Lessee than the Port Authority has power thereunder to grant.

(b) The Port Authority covenants that, during the term of this Agreement, the Port Authority will not take any action which would amount to or have the effect of canceling, surrendering or terminating the Basic Lease prior to the date specified in the Basic Lease for its expiration or would in any manner deprive the Lessee of any of its rights, licenses or privileges under this Agreement.

(c) Nothing herein contained shall prevent the Port Authority from entering into an agreement with the City of New York pursuant to which the Basic Lease is surrendered, cancelled or terminated provided that the City of New York, at the time of such agreement, assumes the obligations of the Port Authority under this Agreement.

(d) Nothing contained in this Agreement shall be deemed a waiver by the Lessee of any of its rights, licenses or privileges under this Agreement in the event that the Basic Lease should be

surrendered, cancelled or terminated prior to the date specified in the Basic Lease for its expiration.

Section 29. Removal of Property

(a) All personal property (including trade fixtures), except for Exhibit H Property as hereinafter defined, removable without material damage to the Premises, which are installed by the Lessee in or on the Premises, shall be deemed to be and remain the property of the Lessee (which personal property exclusive of Exhibit H Property is hereinafter called the "Lessee's Personal Property"). Except as set forth in paragraph (n) of Section 41 hereof entitled "Hot Water and Chilled Water Requirements", all of the Lessee's Personal Property, provided that the Lessee shall install suitable replacements therefor if such property is necessary to operate the Premises in accordance with the terms and provisions hereof, may at the Lessee's option be removed by the Lessee from the Premises at any time during the term of the letting hereunder. Furthermore, notwithstanding the previous sentence, all of the Lessee's Personal Property shall, unless otherwise agreed in writing by the parties hereto, be removed by the Lessee on or before the expiration or other termination of the term of the letting hereunder. Any of the Lessee's Personal Property, except for Tanks (as defined in Section 65 hereof entitled "Storage Tanks"), remaining on the Premises thereafter shall be deemed abandoned by the Lessee. Without limiting any other term or provision of this Agreement, the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents, employees and contractors from all claims of third Persons arising out of the Port Authority's removal and disposition of property so abandoned by the Lessee, including claims for conversion, claims for loss of or damage to the Lessee's Personal Property, claims for injury to Persons (including death), and claims for any other damages, consequential or otherwise.

(b) Notwithstanding the foregoing, the Lessee shall not remove from the Premises the personal property set forth in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 29.1" and installed in connection with the Phase I Construction Work performed pursuant to Section 2A of the Lease, title to which it is hereby agreed shall have passed to the Port Authority upon the installation thereof (which property is herein called the "Exhibit H Property") except with the prior written approval of the Port Authority and in accordance with any requirements set forth in such approval, provided, however, and notwithstanding the foregoing, in the event any Exhibit H Property is to be removed in connection with the performance of the Redevelopment Work, the Lessee shall notify the Port Authority at least thirty (30) days prior such removal of any Exhibit H Property and if thereafter directed by the Port Authority, the Lessee shall dispose of such Exhibit H Property at its sole cost and expense.

Section 30. Brokerage

The Lessee represents and warrants that no real estate broker has been concerned on its behalf in the negotiation of this Agreement and that there is no real estate broker who is or may be

entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any claim for commission or brokerage made by any and all Persons, firms or corporations whatsoever for services rendered to the Lessee in connection with the negotiation and execution of this Agreement.

Section 31. Limitation of Rights and Privileges Granted

(a) No greater rights or privileges with respect to the use of the Premises or any part thereof are granted or intended to be granted to the Lessee by this Agreement, or by any provision thereof, than the rights and privileges expressly and specifically granted hereby.

(b) The Premises are let to the Lessee and the Lessee takes the same subject to all the following: (i) easements, restrictions, reservations, covenants and agreements, if any, to which the Premises are subject, rights of the public in and to any public street, (ii) rights, if any, of any enterprise, public or private which is engaged in furnishing heating, lighting, power, telegraph, telephone, steam, or transportation services and of the City and State of New York and (iii) permits, licenses, regulations and restrictions, if any, of the United States, the City of New York or State of New York or other Governmental Authority.

Section 32. Notices

Except where expressly required or permitted herein to be oral, all notices, directions, requests, consents and approvals required to be given to or by either party shall be in writing, and all such notices and requests shall be personally delivered to the duly designated officer or representative of such party or delivered to the office of such officer or representative during regular business hours, or forwarded to him or to the party at such address by certified or registered mail. The Lessee shall from time to time designate in writing an office within the Port of New York District and an officer or representative whose regular place of business is at such office upon whom notices and requests may be served. Until further notice, the Port Authority hereby designates its Executive Director, and the Lessee designates its Vice President of Corporate Real Estate as their officers upon whom notices and requests may be served, and the Port Authority designates its office at One World Trade Center, New York, New York 10048, and the Lessee designates its office at MD 5317, 4333 Amon Carter Blvd., Fort Worth, Texas 76155, as their respective offices where notices and requests may be served. If mailed, the notices herein required to be served shall be deemed effective and served as of the date of the certified or registered mailing thereof.

Section 33. Other Construction by the Lessee

(a) Except as expressly provided in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall not erect any

structures, make any improvements or do any other construction work on the Premises or alter, modify, or make additions or improvements to any structure now existing or built at any time during the letting, or install any fixture (other than trade fixtures, removable without material damage to the freehold, any such damage to be immediately repaired by the Lessee) without the prior written approval of the Port Authority and in the event any construction, improvement, alteration, modification or addition, is made without such approval, then upon reasonable notice so to do, the Lessee will remove the same, or at the option of the Port Authority cause the same to be changed to the satisfaction of the Port Authority. In case of any failure on the part of the Lessee to comply with such notice, the Port Authority may effect the removal or change and the Lessee shall pay the cost thereof to the Port Authority.

(b) Without limiting the generality of the foregoing paragraph the Lessee acknowledges and agrees that Note 1 and Note 2 and their associated reference lines set forth on Exhibit 1.1 to the Lease shall not constitute or be deemed to constitute or imply that approval of the Port Authority will be granted to any proposed construction by the Lessee nor shall the same grant or be deemed to grant any right or permission to the Lessee now or in the future to erect any structures, make any improvements or do any other construction work in the Premises, including but not limited to paving, or to alter, modify or make additions, improvements or repairs to or replacements of, any structure now existing or built at any time during the letting or install any fixtures on the Premises, including but not limited to paving, and that the provisions of the foregoing paragraph of this Section shall be read and construed as if there were no Note 1 and Note 2 of Exhibit 1.1 and their associated reference lines, which were placed on such Exhibit solely and exclusively for the benefit of the Port Authority.

(c) Notwithstanding the obligation of maintenance imposed upon the Lessee by the provisions of Section 10 hereof, the Lessee shall not make any repairs or replacements (except emergency repairs or replacements) unless and until it has first obtained an approved Port Authority alteration application for such repairs or replacements which shall then be performed in full accordance with the terms of said alteration application.

Section 34. Place of Payments

All payments required of the Lessee by this Agreement shall be made to the Port Authority, P.O. Box 17309, Newark, New Jersey 07194, or to such other address, office or location as may be substituted therefor by the Port Authority by notice to the Lessee from time to time.

Section 35. Construction and Application of Terms

(a) The Section and paragraph headings, if any, in this Agreement, are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of any provision hereof.

(b) Unless otherwise expressly specified, the terms, provisions and obligations contained in the Exhibits and Schedules attached hereto, whether there set out in full or as amendments of, or supplements to provisions elsewhere in the Agreement stated, shall have the same force and effect as if herein set forth in full.

(c) If any clause, provision or section of this Agreement shall be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

(d) The fact that certain of the terms and provisions hereunder are expressly stated to survive the expiration or termination of the letting hereunder does not mean nor shall be construed to mean that those provisions hereunder which are not expressly stated to survive shall terminate or expire on the expiration or termination of the letting hereunder and do not survive such termination or expiration.

(e) The parties agree that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be applicable to the interpretations of this Agreement or any amendments, addenda or supplements hereto or any Exhibits or Schedules hereto.

Section 36. Non-liability of Individuals

No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement or because of any breach thereof, or because of its or their execution or attempted execution.

Section 37. Termination by Lessee

(a) If any one or more of the following events shall occur:

(1) If the Lessee shall be prevented from operating its air transportation system to and from the Airport by reason of its inability to use a substantial part of all of the Runways and Taxiways,

(i) for a period of longer than thirty (30) consecutive days, resulting from any condition of the Airport not due to the fault of the Lessee; or

(ii) for a period of longer than ninety (90) consecutive days, resulting from a permanent injunction issued by any court of competent jurisdiction; or

(iii) for a period of longer than ninety (90) consecutive days, resulting

from any order, rule or regulation of the Federal Aviation Administration, or other governmental agency having jurisdiction over the operations of the Lessee with which the Lessee is unable to comply at reasonable cost or expense; or

(2) The Port Authority shall fail to perform any of its obligations under this Lease within twenty (20) days after receipt of notice of default thereunder from the Lessee (except where fulfillment of its obligation requires activity over a period of time and the Port Authority shall commence to perform whatever may be required for fulfillment within twenty (20) days after the receipt of notice and continues such performance without interruption, except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance of the condition, the Lessee may by twenty (20) days' notice terminate the letting, such termination to be effective upon the date set forth in such notice and to have the same effect as if the term of the letting had on that date expired. No waiver by the Lessee of any default on the part of the Port Authority in performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the Port Authority shall be or be construed to be a waiver by the Lessee of any other or subsequent default in performance of any of the said terms, covenants and conditions.

(b) The payment of rentals by the Lessee for the period or periods after the Lessee shall have a right to terminate under this Section but before any such default of the Port Authority has been cured, shall not be or be construed to be a waiver by the Lessee of any such right of termination.

(c) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Lessee would have at law or in equity consequent upon any breach of this Agreement by the Port Authority, and the exercise by the Lessee of any right of termination shall be without prejudice to any other such rights and remedies.

Section 38. Effect of Termination by the Lessee

(a) If the Lessee terminates the letting pursuant to the provisions of paragraph (a)(1) of Section 37 hereof entitled "Termination by Lessee" then the Port Authority may at its option, pay to the Lessee the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. The failure of the Port Authority to exercise the said option will impose no obligation upon it to relet the Premises.

(b) If the Lessee terminates the letting pursuant to the provisions of paragraph (a)(2) of Section 37 hereof entitled "Termination by Lessee" then the Port Authority may, at its option, pay

to the Lessee the Unamortized Redevelopment Investment, if any, of the Lessee in the Premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. If the Port Authority fails to exercise such option, then the Port Authority shall use its best efforts to relet the Premises.

(c) If the Port Authority relets the Premises prior to the date upon which this Lease would have expired but for such termination, then the net rent paid by the new tenant to the Port Authority (after deducting any costs and expenses incurred by the Port Authority in securing said new tenant and in complying with the terms of the lease to such tenant, including but not limited to costs of alteration and decoration of such Premises, in the event of termination pursuant to the provisions of paragraph (a)(1) of Section 37 hereof entitled "Termination by Lessee", and after deducting any costs and expenses incurred by the Port Authority for the maintenance of said Premises or for services furnished to the new tenant and after deducting the amounts which would have been payable as rent by the Lessee but for such termination) shall be paid over by the Port Authority to the Lessee until said amounts paid over equal the Unamortized Redevelopment Investment of the Lessee in the Premises as of the date of termination. The obligation of the Port Authority to pay over to the Lessee any net rent received from such new tenant shall endure only while such new tenant continues to pay rent and occupy such Premises, and only while the Unamortized Redevelopment Investment of the Lessee in such Premises is unamortized, and in no event is such obligation to pay over to endure beyond the date upon which this Lease would have expired but for such termination.

Section 39. Abatement

If the Port Authority shall, for safety or other reasons, prohibit the use of the Public Landing Area at the Airport or of any substantial part thereof for foreign or domestic scheduled air transport operations for a period covering more than sixty (60) consecutive days and the Lessee shall thereby be prevented from conducting those operations at the Airport enumerated in Section 5 hereof entitled "Use of Premises", then upon the occurrence of such event, the Lessee at its option shall be entitled to abatement of rental during such period of prohibition and prevention. In the event that the Lessee shall exercise such option the Lessee shall be deemed to have released and discharged the Port Authority of and from all claims and rights which the Lessee may have hereunder arising out of or consequent upon such closing and the subsequent interrupted use of such Public Landing Area or part thereof during the period of prohibition.

Section 40. Services to the Lessee

Except as provided in this Section 40, the Port Authority shall not be obligated to perform or furnish any services or utilities whatsoever in connection with this Lease or the use and occupancy of the Premises hereunder.

(a) The Port Authority shall sell, furnish and supply to the Lessee for use on the Premises and the Lessee agrees to take from the Port Authority and pay for electricity of the same voltage, phase and cycle as supplied to the Premises by the public utility in the vicinity, but limited however, to serve a maximum of the installed transformer capacity serving each portion of the Premises on the Effective Date, at the same charge which would be made by such public utility for the same quantity under the same conditions and in the same service classification but in no event less than an amount that would reimburse the Port Authority for its cost of obtaining and supplying electricity to the Lessee hereunder; charges shall be payable by the Lessee when billed and the quantity of electricity consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason any meter or meters fail to record the consumption of electricity, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period either immediately before or after the interruption as elected by the Port Authority. The Port Authority shall not discontinue the supply of electricity except upon fifteen (15) days' notice to the Lessee and unless a supply of electricity of the same voltage, phase and cycle (subject to the KVA limitation aforesaid) shall be available from another supplier and upon any such discontinuance the Lessee shall be at liberty to contract or otherwise arrange for the supply of such current after the expiration of said fifteen (15) days from any other Person, firm or corporation. The Port Authority shall install the appropriate meters.

(b) The Port Authority agrees to sell, furnish and supply to the Lessee for use on the Premises cold water (of the character furnished by the City of New York) in reasonable quantities through existing pipes, mains and fittings and the Lessee agrees to take such water from the Port Authority and to pay the Port Authority therefor an amount equal to that which would be charged by the municipality or other supplier of the same (whether or not representing a charge for water or other services measured by water consumption) for the same quantity, used under the same conditions and in the same service classification plus the cost to the Port Authority of supplying such water which shall not be less than ten percent (10%) nor in excess of fifty percent (50%) of the amount charged. The charge therefor shall be payable by the Lessee when billed and the quantity of water consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason, any meter or meters fail to record the consumption of water, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period immediately before or after the interruption, as elected by the Port Authority. The Port Authority shall install the appropriate meters. In the event meters are not installed to measure the consumption of water under high pressure, the quantity of such water used by the Lessee will be based upon equitable estimates of consumption, which estimates shall be deemed binding on the Lessee.

(c) The Lessee shall pay to the Port Authority such of the existing and future charges for sewerage services furnished by the City of New York as are presently or may hereafter be imposed or assessed against the Port Authority in respect of the Lessee's Premises or its use and occupancy thereof. In the event that the City or the State of New York is now furnishing services

with or without charge therefor, which are beneficial to the Lessee in its use and occupancy of the Premises, and shall hereafter impose charges or increase existing charges for such services, the Lessee agrees to pay to the Port Authority such of the charges or the increase in charges as may be imposed or assessed against the Port Authority in respect to the Lessee's Premises or its use and occupancy thereof.

(d) In the event the Port Authority shall provide extermination service for the enclosed areas of the Premises, the Lessee agrees to utilize the same and to pay its pro rata share of the reasonable cost thereof upon demand. This paragraph does not impose any obligation on the Port Authority to furnish such service.

(e) The Port Authority shall not be obligated to perform or furnish any other services whatsoever in connection with the Premises or any services at any time while the Lessee shall be in default hereunder after the period, if any, herein granted to cure such default shall have expired.

(f) The Port Authority shall be under no obligation to supply services if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency.

(g) No failure, delay or interruption in supplying agreed services (whether or not a separate charge is made therefor) shall be or be construed to be an eviction of the Lessee or grounds for any diminution or abatement of rental, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for any claim by the Lessee for damages, consequential or otherwise.

Section 41. Hot Water and Chilled Water Requirements

(a) (1) The Port Authority has entered into agreements consisting of an Energy Purchase Agreement, dated as of April 28, 1993, a Construction and Operations Agreement, dated as of April 28, 1993, and an Agreement of Lease, dated as of April 28, 1993, (all of the foregoing Agreements hereinafter as the same may be supplemented, amended and extended from time to time collectively and individually called the "Cogeneration Agreement") with KIAC Partners, a New York general partnership (hereinafter called "KIAC"), for the construction, installation and operation of a cogeneration facility at the Airport which includes portions of the central heating and refrigeration facility previously operated by the Port Authority at the Airport and which cogeneration facility produces electricity, hot water (hereinafter called "Hot Water") and chilled water (hereinafter called "Chilled Water") and which cogeneration facility is hereinafter called the "Cogeneration Facility". The Cogeneration Facility shall include a thermal distribution system (the

"TDS") including distribution lines extending to the Premises as provided in paragraph (f) below.

(2) The Lessee acknowledges that it has received a copy of the Cogeneration Agreement and agrees that the supply by KIAC of Hot Water and Chilled Water to the Premises is subject to all of the terms and provisions of the Cogeneration Agreement. The Lessee agrees that the Port Authority may grant waivers, consents and approvals to KIAC from time to time and the Port Authority and KIAC may, except to the extent provided in paragraph (i) below, supplement, amend or extend the Cogeneration Agreement from time to time and that the Lessee shall be subject to any such waivers, consents and approvals and supplements, amendments, and extensions as part of the Cogeneration Agreement. Copies of any such supplements, amendments and extensions will be made available to the Lessee upon request by the Lessee therefor.

(b) (1) The Cogeneration Agreement provides, among other things, that the Port Authority will purchase from KIAC for resale to the Lessee, and the Lessee hereby agrees that it will accept and purchase from the Port Authority subject to all of the terms and conditions of the Cogeneration Agreement, for use on the Premises, to the extent the same is delivered by KIAC to the Port Authority and by the Port Authority to the Lessee, all of the Lessee's requirements at the Premises for Hot Water and Chilled Water (excluding requirements exclusively for aircraft and loading bridges leading to aircraft); and the Lessee hereby agrees to pay the Port Authority therefor as follows:

(i) The Lessee acknowledges and agrees that the charge to the Lessee by the Port Authority for the Lessee's consumption of Hot Water and Chilled Water at the Premises and Chilled Water makeup water and chemical treatment of makeup water (due to system leakage at the Premises or otherwise) shall be the sum of (A) the amount payable by the Port Authority to KIAC therefor pursuant to the Cogeneration Agreement, plus (B) Five Percent (5%) of the foregoing and plus (C) all applicable taxes.

(ii) The Lessee acknowledges that pursuant to the Cogeneration Agreement KIAC will furnish the Port Authority with measurements of the Lessee's consumption of (A) Hot Water based upon energy drawn by the Lessee from KIAC's Hot Water distribution lines, (B) Chilled Water based upon the energy absorbed from the Lessee by KIAC's Chilled Water distribution lines and (C) Chilled Water makeup water and chemical treatment of makeup water consumed on the Premises, and the Lessee agrees that the provisions of the Cogeneration Agreement with respect to the accuracy of such measurements, the determination of such measurements in the event of inaccurate registration by metering devices, and the use of estimates in the event of the failure of such metering devices shall all be applicable to the Lessee under this Agreement as though set forth in full herein.

(iii) The Lessee acknowledges that the Cogeneration Agreement provides that KIAC shall provide estimated bills to the Port Authority for consumption of Hot Water and

Chilled Water on a monthly basis commencing approximately ten (10) days after the Cogeneration Effective Date for the first calendar month or portion thereof and on or about the tenth (10th) day of the month for each calendar month thereafter. KIAC is then to render a final bill with respect to each estimated bill approximately ten (10) days after the conclusion of the said month together with the estimated bill for the then current month.

(iv) Notwithstanding such arrangement between KIAC and the Port Authority, the Port Authority shall, with respect to each calendar year or fraction thereof, establish estimated unit rates, subject to change from time to time by the Port Authority, for the consumption on the Premises of Hot Water and Chilled Water and shall render an estimated bill to the Lessee for the Lessee's consumption at such estimated rates monthly on the last day of the calendar month following each full or partial calendar month during the term hereof which bill shall be payable on receipt.

(v) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the amounts payable by the Lessee in accordance with the provisions of subparagraphs (i), (ii) and (iii) of this paragraph (b)(1). A corrected billing based upon such determination shall thereupon be rendered by the Port Authority to the Lessee and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be credited to it. In the event the term of this Agreement expires or is sooner terminated on a date other than the last day of a calendar year, the Port Authority shall have no obligation to immediately make the computations as hereinabove provided which would determine the amounts payable by the Lessee in accordance with subparagraphs (i), (ii) and (iii) of this paragraph (b)(1) for the period during said year when this Agreement was in effect. In the event this Agreement expires on a day other than the last day of a calendar month and the actual consumption of and charges to the Lessee for such portion of the calendar month are not available, the charge to the Lessee shall be equitably prorated. Said computations shall be made subsequent to the end of the calendar year as hereinabove provided, and if any monies are due to the Port Authority they shall be paid by the Lessee and if any monies are due to the Lessee they shall be paid to it by the Port Authority less such amounts, if any, then due and owing to the Port Authority from the Lessee.

(vi) The Port Authority shall render a bill to the Lessee from time to time for the Lessee's Chilled Water distribution gallonage which shall be payable upon receipt. The charge therefor shall be based on KIAC's charge to the Port Authority for makeup water and chemical treatment of makeup water and shall be determined in accordance with subparagraphs (i) and (ii) of this paragraph (b)(1).

(vii) In the event that the Lessee disputes any item of an estimated or final bill, the Lessee shall promptly pay the bill in full and the Port Authority shall make any necessary adjustments only after resolution of such dispute.

(2) The Lessee agrees that in order that KIAC or any successor thereto may maintain the status of the Cogeneration Facility as a "qualifying cogeneration facility" under applicable Federal laws, rules and regulations ("QF Status") including the Public Utility Regulatory Policies Act of 1978 as the same may be amended and any successor statute thereto, the Lessee shall, at all times it is operating the Premises for the purposes permitted in this Agreement, purchase from the Port Authority and use on an annual basis a minimum amount of thermal energy contained in Hot Water and Chilled Water produced by use of steam from the Cogeneration Facility equivalent to the lesser of (1) an amount that, together with all thermal energy contained in Hot Water and Chilled Water purchased and used by the Port Authority and all other lessees of Premises in the Central Terminal Area, is sufficient to maintain the QF Status of the Cogeneration Facility and (2) the product of (x) 167,379 mm BTUs of thermal energy, which is one-third of the use of thermal energy contained in Hot Water and Chilled Water in the Central Terminal Area of the Port Authority and the lessees of Premises in the Central Terminal Area in the year ending December 31, 1989, and (y) a fraction, the numerator of which is the amount of the Lessee's use of thermal energy contained in Hot Water and Chilled Water at the Premises in the most recent complete calendar year preceding the applicable date of determination and the denominator of which is the amount of all use in the Central Terminal Area of thermal energy contained in Hot Water and Chilled Water in such calendar year.

(3) It is agreed that during or subsequent to the expiration of this Agreement no charge to or payment by the Lessee with respect to Hot Water, Chilled Water or Chilled Water distribution gallonage shall be included in, affect, or change in any way the calculation and determination of Port Authority costs or charges under any other agreement between the Lessee and the Port Authority at the Airport and any such Port Authority cost or charge shall be calculated and determined as if no charge to or payment by the Lessee with respect to Hot Water, Chilled Water or Chilled Water distribution gallonage had been incurred.

(c) THE LESSEE HEREBY WAIVES AND RELINQUISHES for itself, its successors and assigns any right it may have, and further agrees that it, its successors and assigns shall have no right, to manufacture or produce, to cause to be manufactured or produced, or to purchase or receive from any third party, Hot Water or Chilled Water for use on the Premises or to use any other manner of air cooling or air heating at the Premises except to purchase, receive and use Hot Water and Chilled Water from the Port Authority pursuant to this Agreement.

(d) There shall be no obligation to the Lessee by either KIAC or the Port Authority to furnish the goods and services covered by this Section at any time (i) while any component necessary therefor shall be prohibited or rationed by any federal, state or municipal, law, rule, regulation, requirement, order or direction or while the Port Authority deems it in the public interest to comply therewith even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency, (ii) while the same are curtailed or stopped because of the need to repair, replace, rebuild or alter the Cogeneration Facility, (iii) during the

continuance of any event of Force Majeure, as such term is defined in the Cogeneration Agreement or (iv) that the Lessee shall be in default under this Agreement after the period, if any, herein granted to cure such default shall have expired. No failure, delay or interruption in supplying said goods and services shall be or be construed to be an eviction of the Lessee or grounds for the diminution or abatement of rentals, fees or other charges, nor shall any such failure, delay or interruption be grounds for any claim by the Lessee for damages, consequential or otherwise, against the Port Authority or KIAC.

(e) Without limiting any other provision of this Section, any supply of Hot Water or Chilled Water to the Premises from the Cogeneration Facility shall be limited by the safe and efficient operating capacity of the Cogeneration Facility as determined by KIAC and as approved by the Port Authority.

(f) (1) The Lessee has installed all machinery, equipment and facilities required to be installed in the Premises in order to utilize Hot Water and Chilled Water to be distributed and has tied into the TDS at the heat exchangers heretofore installed by the Port Authority or KIAC in the mechanical equipment rooms constructed by the Lessee on the Premises and the Lessee shall in the future install all machinery, equipment and facilities, including heat exchangers, required to be installed in the Premises in order to utilize Hot Water and Chilled Water to be distributed and shall tie into the TDS in the mechanical equipment rooms constructed by the Lessee on the Premises.

(2) The Lessee hereby agrees that the Port Authority, KIAC and the contractors or suppliers of either of them shall have the right to enter upon the Premises to install, operate and maintain any part of the Cogeneration Facility located thereon including but not limited to the TDS and any heat exchangers installed by the Port Authority or KIAC.

(g) In the event the Cogeneration Agreement is terminated and the facilities for the production of Hot Water and Chilled Water at the Airport exist and are, in the opinion of the Port Authority, economically operable, the Port Authority itself or pursuant to agreement with a contractor or permittee shall supply Hot Water and Chilled Water to the Premises and the Lessee shall take and pay therefor at the same charge to the Lessee which would be applicable as if the Cogeneration Agreement had been in full force and effect, provided, however, that notwithstanding any other provision of this Section, the charge therefor to the Lessee shall in no event be less than an amount that would reimburse the Port Authority for its capital and operating costs in connection therewith determined in accordance with the Port Authority's normal accounting practice. In addition, the Port Authority may, in its discretion, make or consent to arrangements on one or more occasions with a third party or parties to succeed to KIAC's operation of all or any part of the Cogeneration Facility and the Lessee shall continue to be obligated to purchase Hot Water and Chilled Water from the Port Authority pursuant to this Agreement, at the rates provided for in the Cogeneration Agreement.

(h) Neither the Port Authority nor KIAC shall have any liability to the Lessee for any facilities installed by the Lessee on the Premises in connection with the use of Hot Water and Chilled Water hereunder or for any investment made in connection with the use of Hot Water and Chilled Water.

(i) The Port Authority shall have the right to grant waivers, consents and approvals with respect to the Cogeneration Agreement and to enter into amendments, supplements or extensions of the Cogeneration Agreement with KIAC or any similar agreement with any successor operator of the Cogeneration Facility or other provider of Hot Water and Chilled Water at the Airport, provided, however, that the Port Authority will not enter into any amendment, supplement or extension of the Cogeneration Agreement which will result in a change in the formula used to calculate the Hot Water and Chilled Water rates payable by the Lessee which change results in an increase in the rates payable by the Lessee pursuant to such formula (the Lessee hereby acknowledging that such formula may, according to its terms, provide for such rates to be adjusted from time to time) without the consent of the lessees (including the Port Authority as and to the extent that the Port Authority uses Hot Water and Chilled Water) of premises that purchased and used at least Fifty-one percent (51%) of the aggregate Hot Water and Chilled Water purchased and used in the Central Terminal Area during the last full calendar year preceding the effective date of such amendment, supplement or extension.

(j) (1) Paragraph (c) above provides, among other things, that on notice from the Port Authority, the Lessee shall waive for itself, its successors and assigns any right the Lessee may have, and further agrees that the Lessee, its successors and assigns shall have no right, to manufacture or produce, to cause to be manufactured or produced or to purchase or receive from any third party, Hot Water or Chilled Water for use on the Premises or to use any other manner of air cooling or air heating at the Premises except to purchase, receive and use Hot Water and Chilled Water from the Port Authority pursuant to the Lease.

(2) The Lessee installed a 500 ton centrifugal chiller (hereinafter called the "Chiller") in the interior of the portion of the Premises generally known as Building No. 56 (hereinafter called "Building No. 56"). The Lessee hereby agrees that the Chiller may only be used as back up capability to the supply of Chilled Water by KIAC as set forth in the Lease and the Cogeneration Agreement, and that the Chiller will be operated only when the Lessee has demonstrated to the satisfaction of the Port Authority that KIAC has failed to supply Chilled Water as set forth in the Lease and the Cogeneration Agreement.

(3) The Chiller is not a substitute for an adequately designed, installed and maintained HVAC system at the Premises which under normal and design load conditions is capable of using Chilled Water supplied by KIAC to satisfy demand as set forth in the Lease and the Cogeneration Agreement. Before the Lessee may use the Chiller under the circumstances set forth in paragraph (j)(2) above, the Lessee must demonstrate to the Port Authority's satisfaction (the

Port Authority reserving the right to consult with KIAC in connection therewith) that the HVAC system is designed to this condition and installed such that it is capable of operating properly under design conditions completely on Chilled Water, without resort to the Chiller. It shall not be marginal in this respect. It shall also be the Lessee's responsibility to continually maintain the HVAC system to this level of capability. The Lessee's failure in any of these respects shall preclude operation of the Chiller under the circumstances set forth in paragraph (j)(2) above.

(4) The Port Authority and the Lessee understand that there is potential for unauthorized use of the Chiller. The Lessee understands that unauthorized use will cause harm to KIAC and that pursuant to the Lease and the Cogeneration Agreement KIAC is to supply to the Port Authority for resale to the Lessee all of the Lessee's requirements for Chilled Water at the Premises.

(5) The Lessee shall notify the Port Authority whenever it observes that KIAC is not delivering an adequate flow of Chilled Water or sufficiently cold Chilled Water as set forth in the Lease and the Cogeneration Agreement. Upon such notification by the Lessee of an inadequate flow of Chilled Water or insufficient Chilled Water, the Lessee may operate the Chiller until such inadequacy or insufficiency is corrected.

(k) (1) Notwithstanding paragraph (j)(5) above, upon the determination of the Port Authority, which may be made from time to time on one or more occasions, that the Lessee has used the Chiller in non-compliance with this Section, the Port Authority may direct the Lessee to disable the Chiller or to remove the Chiller from the Premises.

(2) The agreement of the Lessee that the Lessee shall disable or remove the Chiller upon the direction of the Port Authority, as aforesaid, is of the essence of this Agreement and the Port Authority shall be entitled to a decree against the Lessee requiring specific performance thereof and the Lessee hereby waives any defense to such specific performance based upon the adequacy of a remedy at law to any such action or actions which may be so brought. The foregoing shall be in addition to and not in lieu of or exclusive of any other remedy available to the Port Authority at law or in equity.

(l) The Lessee shall pay to the Port Authority all charges, including without limitation all applicable taxes, arising out of the use of the Chiller by the Lessee whether based on the consumption of Chilled Water or otherwise, as if the same were charges for the consumption of Chilled Water under this Section.

(m) (1) Without limiting the generality of the provisions of paragraph (l) above and Section 13 of the Lease entitled "Indemnity and Liability Insurance", the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in

connection with the defense of) all claims and demands of KIAC against the Port Authority under the Cogeneration Agreement arising out of the installation and/or use of the Chiller by the Lessee.

(2) If so directed, the Lessee shall at its own expenses defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, offices, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(n) Upon the earlier to occur of the removal of the Chiller from the Premises or the demolition of Building No. 56, the Lessee shall have no further right to use the Chiller or other equipment or method of cooling the Premises or any part thereof except as set forth in paragraphs (a) through (i) of this Section.

Section 42. General Airport Agreement

(a) The parties hereto agree that in the event any provisions contained in the General Airport Agreement are inconsistent or otherwise in conflict with any one or more provisions of this Lease, the provisions of this Lease shall apply with respect to the Premises let hereunder.

(b) Notwithstanding the foregoing provisions of this Section, the Lessee shall have the same rights and privileges under this Lease with respect to "Ramp Service", "Subsidiaries", "Airline Contractors," "Fees or Charges Against Employees, Passengers and Suppliers" and "Federal Control and Operation of Airline", to the extent applicable, as said phrases are used in the General Airport Agreement as if the provisions of Section 4.10 of Title IV, Sections 8.14, 8.15 and 8.19 of Title VIII, and Section 11.06 of Title XI of the General Airport Agreement were herewith incorporated in full as to the subject matter of this Lease and in any of such matters the language of such cited Sections of the General Airport Agreement shall be deemed to apply to the Premises.

(c) The foregoing provisions of this Section shall apply and pertain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

Section 43. General Airport Agreement Expiration

It is recognized that the General Airport Agreement and the principles and formula set forth therein for the calculation of flight fees, including the costs recovery accounting principles, have by agreement or policy been the basis for determining flight fees payable by various Aircraft Operators at the Airport in addition to the Aircraft Operators who are the actual signatory lessees to the

General Airport Agreement. In the event of the expiration and non-extension or non-renewal of the General Airport Agreement, the same formula, accounting principles and costs recovery methodology now set forth in the General Airport Agreement for the calculation of flight fees shall continue to be utilized for the calculation of flight fees at the Airport for the Lessee until such time as the General Airport Agreement is formally replaced by a new agreement or agreements or by a new policy or policies. The Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to the formula, accounting principles and the costs recovery methodology for the calculation of flight fees upon the expiration and non-extension or non-renewal of the General Airport Agreement all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

Section 44. Associated and Affiliated Companies

(a) In addition to the purposes specified in Section 5 hereof entitled "Use of Premises" the Lessee may use the Premises for the following purposes and for activities reasonably required for such purposes:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by Associated or Affiliated Companies of the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee's Associated or Affiliated Companies or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of such Associated or Affiliated Companies at the Airport.

(3) For the clearance, checking and rendering of service to passengers of the Lessee's Associated or Affiliated Companies and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of the passengers, guests, or invitees of the Lessee's Associated or Affiliated Companies, subject to the provisions of Section 63 hereof entitled "Club Rooms".

(5) For the handling of baggage of passengers of the Lessee's Associated or Affiliated Companies including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles of the Lessee's Associated or Affiliated Companies.

(7) For the conduct of operations, traffic, communications, reservations and

administrative office functions and activities in connection with air transportation performed by the Lessee's Associated or Affiliated Companies.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee's Associated or Affiliated Companies.

(9) For the storage of repair parts, supplies and other personal property owned by the Associated or Affiliated Companies of the Lessee and for the performance of minor repairs to personal property of such Associated or Affiliated Companies.

(10) For the storage of such Associated or Affiliated Companies fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over the counter sales to officers and employees of the Lessee's Associated or Affiliated Companies and their families and to occasional business guests of such officers and employees (other than passengers of such Associated or Affiliated Companies) of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee or its Associated or Affiliated Companies and either directly by the Lessee or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of the Lessee's Associated or Affiliated Companies during layovers between flights and for the establishment of lounges for employees of such Associated or Affiliated Companies.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies of the Lessee's Associated or Affiliated Companies, provided that the use of the Premises for the unloading and loading of passengers and their baggage from ground transportation vehicles shall be subject to limitation and restriction, from time to time, as set forth in Section 62 hereof entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways-Use of Airport Taxi Dispatchers and Roadway Frontage Management".

(14) For the parking and storage of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(16) For the performance of aircraft maintenance of aircraft operated by the Lessee's Associated or Affiliated Companies subject to the limitations imposed by paragraph (j) of Section 9 hereof entitled "Prohibited Acts".

(17) For the temporary storage of baggage, mail and air cargo to be carried in aircraft operated by the Lessee's Associated or Affiliated Companies.

(b) The loading or unloading on the Premises of all aircraft used principally for cargo is expressly prohibited.

(c) For the purposes of this Lease, the phrase "Associated or Affiliated Companies" when used herein shall be construed to mean any corporation or foreign entity which is an "Associated Company" or an "Affiliated Company" of the Lessee within the meaning of such phrases as defined in Section 17.01 of the General Airport Agreement, as it may be amended from time to time.

(d) Any act or thing which the Lessee may do for its Associated or Affiliated Companies pursuant to this Lease may be done by it at the same place and under the same circumstances either directly or through a contractor or contractors of its choice, provided, that such acts and things shall be done through a contractor or contractors only if by the terms of this Lease the Lessee may do the same acts or things for itself through contractors, and then only under the same circumstances and subject to the same conditions, and provided further that this Section shall not be deemed to grant to the Lessee's Associated or Affiliated Companies, any greater rights or privileges than are granted to the Lessee under the Lease.

(e) The Lessee's Associated or Affiliated Companies and the officers, employees, passengers, patrons, contractors, suppliers of material, furnishers of services and invitees of the Lessee shall have such right of ingress and egress with respect to the Premises and the right of way over highways at the Airport as are described in Section 48 hereof entitled "Ingress and Egress", subject, however, to the further provisions of said Section 48.

(f) In the event any Associated or Affiliated Companies of the Lessee has entered or hereafter enters into a separate lease or other written agreement with the Port Authority for the use of any premises, space, or facilities at the Airport (whether or not containing provisions similar to those in this Section), then any provisions of this Section which are in conflict with or inconsistent with such provisions under such separate lease or agreement shall be null and void.

(g) The foregoing provisions of this Section shall apply and pertain notwithstanding the expiration or earlier termination of the General Airport Agreement unless different provisions are agreed upon in any successor agreement between the parties to the General Airport Agreement, if, as and when there is such a successor agreement, there being no obligation of any kind hereunder to

enter into a successor agreement.

Section 45. Requesting Airlines at the Airport

(a) If a Scheduled Aircraft Operator advises the Lessee that it would like to be accommodated by the Lessee at the Premises (any such Scheduled Aircraft Operator being hereinafter called a "Requesting Airline") , the Lessee in furtherance of the public interest of having the Premises fully and most effectively utilized shall use its best efforts to accommodate the request of said Requesting Airline. If the Lessee fails to reach agreement with said Requesting Airline for its accommodation, the Lessee shall advise the Port Authority to such effect. Thereafter, the Port Authority shall make a determination as to whether the Lessee should accommodate the Requesting Airline as requested and if so, whether there are any limitations on the nature, extent, cost, duration and extent of such accommodation. Determinations of the Port Authority shall not be arbitrary or capricious. Such determinations of the Port Authority would take into consideration the then existing utilization of the Premises and the necessity for the flights, schedules, flight times, operations, operating practices and aircraft equipment of the Requesting Airline to be compatible with those of the Lessee, as well as the need for labor harmony. The Lessee agrees to comply with such determinations of the Port Authority made in accordance with this Section.

(b) Any arrangement between the Lessee and the Requesting Airline made in accordance with any of the foregoing provisions shall be submitted by the Lessee to the Port Authority for its consent, which will be in the form of a consent agreement prepared by the Port Authority and to be executed by the Lessee, the Requesting Airline and the Port Authority.

(c) The foregoing shall not be deemed to abrogate, change or affect any restrictions, limitations or prohibitions on assignment, subletting or use of the Premises by others under this Lease and shall not in any manner affect, waive or change any of the provisions thereof.

Section 46. Additional Rights of the Port Authority as to Portions of the Premises

(a) It is hereby agreed that for the purpose of this Section the term the "Lessee's Commencement Basic Schedule" shall be and mean for the period from the Effective Date to and including the day immediately preceding the Redevelopment Work Completion Date a "Revenue Seats Daily Average" (as said term is defined in paragraph (e) hereof) of 17,324 and from and after the Redevelopment Work Completion Date shall be and mean the Revenue Seats Daily Average for the first full calendar year from and after the Redevelopment Work Completion Date.

(b) Commencing with calendar year 2000 and for each and every calendar year thereafter, the Port Authority may ascertain the Revenue Seats Daily Average of the Lessee for the Airport for the preceding calendar year in accordance with the provisions of paragraph (e) hereof, which Revenue Seats Daily Average shall be the Lessee's Basic Schedule for the preceding

calendar year and shall be referred to as such. Thus, for example, in the case of the first calculation which would be based on the calendar year 1999 experience, said Revenue Seats Daily Average shall be called the "Lessee's Basic Schedule for 1999".

(c) (1) As of January 1, 2000 and as of January 1 of each succeeding calendar year (i) in the event that the Lessee's Basic Schedule for the immediately preceding calendar year for the Airport is less than sixty percent (60%) of the Lessee's Commencement Basic Schedule or (ii) in the event that because of reasons beyond the control of the Lessee the Lessee's Basic Schedule for the immediately preceding two calendar years is less than sixty percent (60%) of the Lessee's Commencement Basic Schedule, then in either of such events and without limiting each and every other right the Port Authority has under this Agreement or otherwise, the Port Authority shall have the right, upon six (6) months' written notice to the Lessee, to require the Lessee and the Lessee hereby agrees to make available Accommodations (as hereinafter defined) at the Premises as directed by the Port Authority in the amount and to the extent set forth in paragraph (f) hereof to Scheduled Aircraft Operators.

(Ex. 2.a.)

. The term "Accommodations" shall mean aircraft ramp and gate position capacity and related passenger terminal facilities including, but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger lounge and waiting areas and appropriate signage and public identification. Such Accommodations may be accomplished by the Lessee by making available and providing non-exclusive use of gate positions and other related facilities to Scheduled Aircraft Operators pursuant to a Handling Agreement between the Lessee and any such Scheduled Aircraft Operator (hereinafter called a "Accommodated Handled Airline"). Each such Handling Agreement shall be subject to the prior and continuing approval of the Port Authority and the execution among the Port Authority, the Lessee, and the Accommodated Handled Airline of a form of consent agreement prepared by the Port Authority. Moreover, and without limiting the foregoing, the Lessee will at all times keep the Port Authority informed and advised and will consult with the Port Authority from time to time as to all aspects of its accommodation of Scheduled Aircraft Operators hereunder.

(2) It is understood furthermore that the Accommodations contemplated hereunder may involve the use of subleases of exclusive or preferential areas of the Premises in addition to or in lieu of Handling Agreements. Any sublease with a Scheduled Aircraft Operator, (hereinafter called a "Accommodated Sublessee Airline") will similarly be subject to the prior and continuing approval of the Port Authority and the execution of a consent agreement prepared by the Port Authority, and executed by the Port Authority, the Lessee and the Accommodated Sublessee Airline. It is understood that American Eagle is an Accommodated Sublessee Airline pursuant to the American Eagle Arrangement.

(3) Nothing contained herein shall in any way affect the discretion of the Port Authority in granting or withholding its consent to a Handling Agreement or a sublease with a Accommodated Sublessee Airline, proposed by the Lessee or directed by the Port Authority whether or not during a Period of Underutilization, and such consent may contain such terms and conditions including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of the Lessee's gross receipts arising therefrom, as the Port Authority may, at that time, elect, and all provisions of the Lease requiring the prior written consent or approval of the Port Authority.

(4) Notwithstanding anything to the contrary contained herein the Lessee understands and agrees that the Lessee shall not perform any services and functions pursuant to any Handling Agreement or sublease with a Accommodated Handled Airline or a Accommodated Sublessee Airline with respect to which the Port Authority has specifically withheld consent and approval in the consent agreement to such Handling Agreement or sublease. The Accommodated Handled Airline and the Accommodated Sublessee Airline may either perform said services and functions themselves or use the services of the authorized service organization, including but not limited to in-flight caterers, aircraft fuelers, and ramp handlers performing such services or functions at the Airport. The Lessee however may make the necessary arrangements with the authorized service organization performing such services and functions performed for the Accommodated Handled Airline or the Accommodated Sublessee Airline.

(5) The Lessee shall furnish to the Port Authority from time to time such itemization, details and information pertaining to the Handling Agreements and subleases as the Port Authority may from time to time request.

(6) The Lessee agrees that all Handling Agreements and subleases shall be at reasonable and at non-discriminatory rates, fees and charges, which rates, fees and charges shall be based upon the recovery by the Lessee of a pro rata share of the Lessee's costs of (i) operation and maintenance of the Premises, (ii) the services provided to the Accommodated Handled Airline or the Accommodated Sublessee Airline and (iii) the Lessee's investment in the Premises not otherwise included in the above, provided, however, that it is understood and agreed that the following shall not be a reason for the Lessee to refuse a sublease or Handling Agreement or to impose any conditions or limitations on operations in connection therewith under this Section: (aa) possible or potential labor disharmony with a Accommodated Handled Airline or Accommodated Sublessee Airline, (bb) compatibility of schedules and operations between the Lessee or another user or occupant of the Premises and a Accommodated Handled Airline or Accommodated Sublessee Airline, or (cc) competitive nature of the routes, schedules or type of air transportation service to be provided by a Accommodated Handled Airline or Accommodated Sublessee Airline, provided, further, however, that with respect to item (aa) above if, after notice from the Port Authority to provide Accommodations to a specific Scheduled Aircraft Operator, the Lessee shall, in good faith, believe that the operations of such specific Scheduled Aircraft Operator on the

Premises would cause such significant, immediate and unremediable labor disharmony which would seriously affect the operations of the Lessee then, upon request by the Lessee to the Port Authority setting forth in specific detail satisfactory to the Port Authority the nature of the anticipated labor disharmony and requesting that the Lessee not be obligated under this Section to provide Accommodations for such specific Scheduled Aircraft Operator, the Port Authority shall, in good faith, consider the Lessee's request and if the Port Authority finds that the labor disharmony described by the Lessee is reasonably likely to result if the Lessee were to provide Accommodations to such Scheduled Aircraft Operator on the Premises then the Port Authority shall notify the Lessee that the Port Authority's discretion to provide Accommodations to such Scheduled Aircraft Operator is rescinded. The Lessee's obligation to provide accommodations to Scheduled Aircraft Operators shall be effective on the date set forth in a notice from the Port Authority to such effect, as aforesaid. Upon such notice the Lessee shall use its best efforts to secure an arrangement with a Scheduled Aircraft Operator as directed by the Port Authority for Accommodations in the Premises and shall in good faith negotiate with any such Scheduled Aircraft Operator as the Port Authority shall direct for Accommodations in the Premises, all in accordance herewith.

(d) The failure of the Port Authority to exercise its rights under this Section during any year in which it may have such a right, shall not affect, waive or limit its right to exercise said rights in any subsequent year.

(e) (1) In the event the Port Authority decides to ascertain the Revenue Seats Daily Average of the Lessee for the preceding calendar year it shall do so as follows: based upon the Official Airlines Guide (herein called the "Guide"), or in the event that the Guide shall not list the Lessee's schedules, then based upon the generally accepted United States aviation industry standard published airline schedule reference which shall include the Lessee's published schedules, the Port Authority shall ascertain the total number of revenue seats that were accommodated on the aircraft equipment scheduled to have been used by the Lessee on its published aircraft arrivals at the Airport as set forth in the Guide during two specified calendar weeks (Sunday through Saturday), the first of which weeks is the one during which the fifteenth (15th) day of February of the prior calendar year fell and the second being the one during which the fifteenth (15th) day of August of the said prior calendar year fell (said week of February together with said week of August being hereinafter collectively called the "Measuring Period"), and shall total the said number of revenue seats which are hereinafter called the "Total Revenue Seats" of the Lessee. In determining the Total Revenue Seats of the Lessee, the Total Revenue Seats as defined above of those Accommodated Handled Airlines, if any, of the Lessee who were Accommodated Handled Airlines as of the date of such determination and Accommodated Sublessee Airlines at the Premises who were Accommodated Sublessee Airlines on the date of such determination, with respect to the aircraft of the Accommodated Handled Airlines and aircraft of the Accommodated Sublessee Airlines operating at the Premises, shall be included.

(2) In making said determination, the Port Authority shall use the aircraft

Agreement if it is prevented from performing any of its obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortages of material, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, tides, riots, rebellion, sabotage or any other circumstances for which it is not responsible and which are not within its control; provided, however, that this provision shall not apply to failures by the Lessee to pay the rentals specified in Section 4 hereof entitled "Rental" and shall not apply to any other charges or money payments; and, provided, further, that this provision shall not prevent either party from exercising its right of termination under Section 20 hereof entitled "Termination by the Port Authority", Section 37 hereof entitled "Termination by Lessee" and Section 52 entitled "Lessee's Financial Condition - Limitation of Lease Term - Triggering Events" and shall not prevent the Lessee from exercising its right to an abatement of rental under Section 39 hereof entitled "Abatement".

Section 48. Ingress and Egress

(a) The Lessee, its officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall have the right of ingress and egress between the Premises and the city streets outside the Airport over such highways at the Airport as may be made available from time to time by the Port Authority for use by the public, provided, however, that the Lessee hereby expressly understands and agrees that the Lessee shall have no right of ingress and egress or access hereunder or otherwise for its employees, customers, patrons, invitees and their baggage between the Premises and the city streets or public ways outside the Airport by means of any mode of transportation or any vehicle which may be limited or restricted in accordance with Section 49 hereof, it being understood that access to the Premises for emergency response for reasons of safety or health shall not be deemed a breach hereof. Such right shall be exercised in common with others having rights of passage within the Airport.

(b) The Lessee shall have the right of ingress and egress between the Premises and the Public Landing Area at the Airport, by means of existing taxiways to be used in common with others having rights of passage thereon, provided, however, that the Port Authority may from time to time substitute other reasonably equivalent means of ingress and egress.

(c) The use of all roadways and taxiways shall be subject to the Rules and Regulations of the Port Authority which are now in effect or which may hereafter be promulgated for the safe and efficient operation of the Airport. In addition to the rights of closure granted above, the Port Authority may, at any time, temporarily or permanently close, or consent to or request the closing of, any such roadway, taxiway and any other area at the Airport presently or hereafter used as such, so long as a reasonably equivalent means of ingress and egress remains available to the Lessee. The Lessee hereby releases and discharges the Port Authority, and all municipalities and other governmental authorities, and their respective successors and assigns of and from any and all claims, demands or causes of action which the Lessee may now or at any time hereafter have against any of the foregoing, arising or alleged to arise out of the closing of any way or other area,

whether within or outside the Airport provided a reasonably equivalent means of access is available. The Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the Premises or in any streets, ways and walks near the Premises.

Section 49. Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management

(a) The Lessee understands that the Port Authority presently has in effect and has planned various physical improvements and policies concerning and affecting the use of vehicular roadways in the Central Terminal Area of the Airport for the limitation and control of traffic thereon including the limitation and control of vehicular traffic on the Premises and vehicular traffic moving between the Air Terminal Highways, as designated from time to time by the Port Authority in the CTA of the Airport, and the vehicular roadways on the Premises connecting to the said Air Terminal Highways. These improvements and policies, both in existence and planned, generally include the following:

(1) Restrictions on the use of roadways in the CTA as set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area" and Section 72 hereof entitled "Ground Transportation."

(2) The use of airport taxi dispatching services (as generally set forth in paragraph (b) hereof) where the Port Authority, either itself or through its contractor, utilizes at passenger terminals under the control of the Port Authority and makes available to passenger terminals at the Airport operated by others, the services of taxi dispatchers to assist in the expeditious and orderly flow of taxicabs to and from passenger terminals at the Airport.

(3) The use of a central taxi holding and dispatching system for the Airport in conjunction with the use of taxi dispatchers at the passenger terminals at the Airport.

(4) The designation of specified portions of the vehicular roadways on the Premises for limited use exclusively by certain types of ground transportation vehicles and/or certain types of ground transportation carriers for the loading and unloading of passengers and their baggage.

(5) The planning and construction of improvements to increase the capacity of roadway frontages at the passenger terminals.

(b) The Lessee agrees to restrict from the Premises during the time period or time periods, as may be specified by the Port Authority from time to time (each such period being herein referred to as a "Taxi Dispatcher Period"), all taxicabs except those taxicabs which are discharging

passengers at the Premises and those taxicabs which are requested by a taxi dispatcher stationed on the Premises and dispatched through the airport central taxi holding and dispatching facility (herein called the "Airport Central Taxi Stack") to the Premises. Further, during any Taxi Dispatcher Period the Lessee agrees to take and accept from the Port Authority, and permit the stationing at an appropriate location or locations on the Premises, of a taxi dispatcher or taxi dispatchers and the establishment of a taxicab waiting line on the Premises of such number of vehicles as shall be specified by the Port Authority from time to time. A taxi dispatcher or taxi dispatchers when located on the Premises shall provide the sole and exclusive dispatch of taxicabs to the Lessee's passengers and others desiring the use of a taxicab from the Premises and shall perform such other duties and functions in connection therewith as may be specified by the Port Authority from time to time. Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee agrees to install as part of the Redevelopment Work and in the future to permit the Port Authority to install on the Premises such fixtures, equipment and improvements including, but not limited to, taxi dispatcher shelters, telephones, radio transceiver and transponder receiving devices as may be necessary or reasonably desired by the Port Authority in connection with the activities and operations of the taxi dispatchers. The Lessee understands and agrees that all expenses of the Port Authority associated with the implementation and operation of the taxi dispatchers on the Airport including, but not limited to, the taxi dispatchers on the Premises and the construction, maintenance and operation of the Airport Central Taxi Stack shall be included in and payable through the aircraft flight fees at the Airport and will be accorded the same cost recovery treatment as the Air Terminal Highway is accorded for such purposes under the General Airport Agreement and the calculation of other fees and charges under other existing agreements and policies at the Airport, and under any agreements which may be entered into and any policies which may be implemented, in the future, including agreements and policies to replace such existing agreements and policies or the General Airport Agreement.

(c) In connection with and furtherance of the Port Authority's policies concerning ground transportation on the Airport, the operation of the Consolidated Counters as set forth in Section 71 entitled "Ground Transportation Services", the operation of taxi dispatchers and the Airport Central Taxi Stack as set forth in this Section, and the provisions governing ground transportation within the Central Terminal Area as set forth in Section 73 hereof entitled "Ground Transportation within the Central Terminal Area", the Lessee hereby agrees that, from time to time, the Port Authority may designate and specify appropriate areas of roadways and curbs located on the Premises, for the purpose of segregated and exclusive use by separate categories of vehicles, including but not limited to buses, taxicabs, private automobiles and other vehicles, and use by separate categories of ground transportation carriers (including but not limited to Port Authority permittees) as may be designated by the Port Authority, from time to time, for the purpose of loading and unloading passengers and their baggage. The Lessee shall prohibit the operation of all other types of vehicular traffic on the roadways on the Premises used for the loading and unloading of passengers and their baggage and shall prohibit parking or stopping except in the areas

designated as aforesaid. Designated areas shall be clearly indicated by the Lessee by appropriate signing and marking on the Premises as shall be directed or approved from time to time by the Port Authority. Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall install as part of the Redevelopment Work and shall in the future permit the Port Authority to install on the Premises such fixtures, equipment and improvements, including, but not limited to transponder receiving devices and other vehicular tracking and monitoring devices; and the Lessee shall, through the use of appropriate and sufficient means including, but not limited to, removing unauthorized parked vehicles from the Premises, security guards and other personnel stationed on the Premises in the area of the said roadways, require that the limitations and restrictions established hereunder by the Port Authority on the use of the said roadways are complied with and enforced during any Taxi Dispatcher Period and at other times as may be directed by the Port Authority (which compliance and enforcement may be directed on a 24-hour basis).

(d) The Lessee understands that the proper limitation and control of traffic on passenger terminal frontage roads has an impact on the proper and efficient operation of the Air Terminal Highway system of the Airport and the Lessee agrees, for so long as the same is made available by the Port Authority, to either accept from the Port Authority or from the Port Authority contractor providing such service from time to time and to pay for the frontage management services at the rate and in a manner which shall be applicable uniformly throughout the Airport or to provide substantially similar services itself.

(e) The Lessee understands that the Port Authority considers the provisions of this Section and the use of the Lessee's passenger terminal roadway areas of the utmost importance to the efficient operation of the Air Terminal Highway on the Airport and to the fulfillment of the Port Authority's governmental function to provide, maintain, develop, and operate the Airport; that the efficient use and operation of the Air Terminal Highway requires that the Lessee, in the operation and use of its passenger terminal facilities under this Lease shall utilize and cooperate fully in all respects in the operation and implementation of the provisions of this Section to the end that the Air Terminal Highway, including ingress thereto and egress therefrom, will operate in the most efficient manner; and that the Port Authority does not by this Lease intend to enter into any agreement, understanding, or commitment which will interfere with, limit, restrict, hinder, or prevent in any way, the efficient development, implementation and operation of the Air Terminal Highway and the rights and discretion of the Port Authority with respect thereto.

(f) The Port Authority has advised the Lessee that it is the intention of the Port Authority that all Aircraft Operators which are similarly situated will be treated in a similar manner with respect to the payment, operation and use of the taxi dispatchers and the Airport Central Taxi Stack as generally set forth in paragraph (b) above and with respect to the separation, designation and use of specific areas of roadways and curbs in the Premises for exclusive use by separate categories of vehicles and ground transportation carriers as generally set forth in paragraph (c)

above.

Section 50. Maintenance Employees

The Lessee shall at all times during the term of this Agreement on a twenty-four hour basis maintain sufficient qualified personnel at the Airport including but not limited to licensed electricians and plumbers, who shall be qualified to perform the maintenance obligations of the Lessee under this Agreement and particularly be able to respond to all emergencies.

Section 51. Quiet Enjoyment

The Port Authority covenants and agrees that as long as it remains the lessee of the Airport the Lessee, upon paying all rentals hereunder and performing all the covenants, conditions and provisions of this Agreement on its part to be performed, shall and may peacefully and quietly have and enjoy the Premises free of any act or acts of the Port Authority except as expressly agreed upon in this Agreement.

Section 52. _____

Section 55. Purchase of Property

The Port Authority shall have the option from time to time exercisable by notice to the Lessee effective on the expiration or earlier termination of the letting of the Premises hereunder, or any part thereof, to purchase all, or such part as the Port Authority elects, of the Lessee's Personal Property (including trade fixtures but excluding ground vehicles) including without limiting the generality of the foregoing any system for handling baggage, any counters, and any passenger loading bridges, as and to the extent any of the foregoing are personal property, which may at the time of the giving of such notice have been installed or placed on the Premises. In the event the Port Authority exercises its option to make a purchase, the Port Authority shall pay to the Lessee a sum equal to the reasonable value of the Lessee's Personal Property (including trade fixtures) purchased. The Lessee hereby agrees that it shall use reasonable commercial efforts so that on the effective date of the purchase and sale none of the aforesaid items shall be subject to any lien, security interest or other encumbrance, and if after the Lessee having used such reasonable commercial efforts any such property remains subject to any lien, security interest or other encumbrance the reasonable value of such property shall be reduced to properly reflect such lien, security interest or other encumbrance. Upon request of the Port Authority the Lessee will execute a bill of sale or such other document of conveyance as the Port Authority may request to transfer title to the aforesaid items to the Port Authority (including a warranty of title to the Port Authority) and the Port Authority shall pay the purchase price. Further, the Lessee shall from time to time execute such other documentation as the Port Authority may require and prepare evidencing the option of the Port Authority, as herein provided, to purchase the aforesaid personal property, including without limitation, security agreements and filings pursuant to the Uniform Commercial Code.

Section 56. Assumption of Maintenance and Repair of the Premises by the Port Authority

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Assumable Maintenance and Repair" shall mean the obligation of the Lessee to clean, maintain, perform janitorial services and perform structural and non-structural improvements, repairs and rebuilding at the Premises as such obligations are set forth in:

(i) paragraphs (a) and (b) of Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee"; and

(ii) Section 6 hereof entitled "Compliance with Governmental Requirements" insofar as laws, ordinances and governmental rules, regulations, orders, requirements and directions require structural and non-structural improvements, alterations or repairs of the Premises.

(2) The "Cost of Assumable Maintenance and Repair" shall, for each calendar

year, consist of the sum of the "Operation and Maintenance Cost" and the "Annual Capital Cost" which shall both be determined as follows:

(i) The Port Authority will determine the total of all costs incurred or accrued during each calendar year in connection with the Assumable Maintenance and Repair in accordance with normal Port Authority accounting practice and as follows: The Port Authority will apportion Assumable Maintenance and Repair performed between "operation and maintenance" and "capital work". The cost of operation and maintenance is hereinafter called the "Operation and Maintenance Cost" and the cost of the capital work is hereinafter called the "Capital Cost".

(A) Operation and Maintenance Cost for each calendar year shall consist of the following expenditures for, in connection with, or related to operation and maintenance:

(aa) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foreman and clerks), including, but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(bb) The cost (including rental charges) of materials, equipment, supplies and utilities (including but not limited to, electricity, water and phone);

(cc) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(dd) The cost of any performance bond or bonds;

(ee) The cost of insurance;

(ff) Any other direct costs as charged under the Port Authority's normal accounting practice;

(gg) Twenty-five percent (25%) of the sum of all of the foregoing items (aa) through (ff).

(B) Capital Cost for each calendar year shall consist of the following expenditures, for, in connection with, or related to capital work:

(aa) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foremen and clerks) including but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(bb) The cost (including rental charges) of materials, supplies, equipment and utilities (including but not limited to electricity, water and phone);

(cc) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(dd) The cost of any performance bond or bonds;

(ee) The cost of any insurance;

(ff) Payments to independent consultants, architects and engineers engaged or retained by the Port Authority;

(hh) Any other direct costs as charged under the Port Authority's normal accounting practice;

(ii). Financial expense on the foregoing computed in accordance with Port Authority accounting practice;

(jj) Ten percent (10%) of the sum of all the foregoing items (aa) through (ii).

(C) "Annual Capital Cost" shall mean the total of all annual amounts based upon the amortization of the Capital Cost for each calendar year over the shorter of the weighted average period of the useful life of the capital work for each calendar year, or the remaining term of this Agreement as determined by the Port Authority. Each annual amount shall be determined on the basis of an equal annual payment method. The rate used

in determining the Annual Capital Cost for all of the annual amounts shall be for each successive calendar year an annual percentage rate equal to the sum of (i) the average of all the weekly indices of the Bond Buyer Revenue Bond Index as reported in the publication "The Bond Buyer" for the 52-week period in the immediately preceding calendar year and (ii) three percentage points. For purposes of example and illustration only, The Bond Buyer Revenue Bond Index for the week ending July 22, 1999 was 5.59% as set forth in the table entitled "Bond Buyer Indices" on page 31 of The Bond Buyer, Vol. 320 No. 30689, New York, N.Y., dated July 23, 1999. In the event that The Bond Buyer or its weekly Bond Buyer Revenue Bond Index shall be discontinued during the term of the letting hereunder, a comparable substitute for such Index shall be mutually agreed upon in writing by the Lessee and the Port Authority within thirty (30) days after discontinuance. In the event that the Port Authority and the Lessee shall fail to agree upon such a substitute within the time hereinabove specified then upon notice of either party such dispute shall be disposed of by arbitration in accordance with the then existing rules of the American Arbitration Association or any successor association. One half of the cost of said arbitration shall be borne by the Port Authority and the other half of said cost shall be borne by the Lessee.

(b) Commencement of Performance of Assumable Maintenance and Repair

(1) The "Assumable Maintenance and Repair Date" shall be the date, from time to time, determined as follows:

(i) The Port Authority may at any time and from time to time during the term of this Agreement advise the Lessee, by notice, of one or more deficiencies in the performance by the Lessee of the Assumable Maintenance and Repair, or in any portion, or portions, thereof. Such notice shall specify the aforesaid deficiencies in reasonable detail. In such notice the Port Authority shall also advise the Lessee of what reasonable period of time shall be afforded the Lessee to cure such deficiencies and the Port Authority shall advise the Lessee therein when and where its representatives may meet with representatives of the Port Authority to discuss the foregoing. The Port Authority will consider the response, if any, of representatives of the Lessee, as given at the aforesaid meeting, or during such period for a further response from the Lessee, as the Port Authority may, in its sole discretion, afford the Lessee. The Port Authority may, after the occurrence of the above, advise the Lessee, by notice, that it has elected not, at that time, to assume the performance of the Assumable Maintenance and Repair. The Port Authority, in its sole discretion, may condition such an election on such terms as it chooses to include in the notice, including the taking of certain remedial or other actions by the Lessee to the continuing satisfaction of the Port Authority. The fact that the Port Authority may previously have given a notice under this subparagraph but has subsequently elected on one or more occasions not to assume the performance of the Assumable Maintenance and Repair or having on one or more occasions assumed the Assumable Maintenance and

Repair and thereafter returned the said obligations to the Lessee pursuant to the provisions hereof, shall not be deemed to limit the right of the Port Authority to, at any time, give another notice of one or more deficiencies pursuant to this subparagraph or notice pursuant to paragraph (b)(1)(ii) below.

(ii) The Port Authority may at any time and from time to time during the term of this Agreement, but only after the issuance of a notice described above and giving the opportunity to cure as provided above, advise the Lessee, by notice, that commencing on a date to be specified in such notice, which shall be not less than ninety (90) days after the giving thereof, the Port Authority will perform the Assumable Maintenance and Repair. Such date as the same may be established from time to time shall be the "Assumable Maintenance and Repair Date".

(c) Performance of the Assumable Maintenance and Repair

(1) The Port Authority shall perform the Assumable Maintenance and Repair from and after the Assumable Maintenance and Repair Date with the Cost of Assumable Maintenance and Repair to be paid by the Lessee as provided in paragraph (d) below.

(2) The Lessee and the Port Authority each acknowledge and agree that the rights and obligations of the Port Authority and the Lessee hereunder are limited to the performance of all of the Assumable Maintenance and Repair by the Port Authority and not of particular portions thereof.

(3) The Lessee shall give its full cooperation to the Port Authority so as to better enable the Port Authority and its contractors to perform the Assumable Maintenance and Repair and the Port Authority and its employees, agents and contractors shall have the right to enter the Premises at all reasonable times to perform the Assumable Maintenance and Repair.

(d) Payment for the Assumable Maintenance and Repair

The Cost of the Assumable Maintenance and Repair shall be payable by the Lessee from and after the Assumable Maintenance and Repair Date as follows:

(1) The Port Authority shall establish monthly interim billing rates. Such billing rates shall be based upon determinations by the Port Authority of its estimate of the Cost of the Assumable Maintenance and Repair for the calendar year or; for the portion of the calendar year in which the Assumable Maintenance and Repair Date, if less than a calendar year, shall occur or for the portion of the calendar year during which the term of this Agreement shall expire, if less than a calendar year. Such determinations shall be based upon the prior calendar year's experience, if any, and upon other such reasonable basis as the Port Authority shall select. The Port Authority

may prospectively revise its billing rates during any calendar year. The Lessee shall pay current billings as they are received.

(2) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the actual Cost of the Assumable Maintenance and Repair for the preceding calendar year and shall determine the amounts payable by the Lessee. In the event the Assumable Maintenance and Repair Date does not fall on the first day of a calendar year or in the event the term of this Agreement expires on a day other than the last day of a calendar year the Annual Capital Cost for said calendar year shall be prorated based on the number of days during said calendar year during which the Port Authority provides the Assumable Maintenance and Repair. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority to the Lessee and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be credited to it.

(e) Limitation of Port Authority Obligations and No Waiver of Rights of Port Authority

(1) The right and obligation of the Port Authority to perform the Assumable Maintenance and Repair shall not release, waive or affect the obligations of the Lessee with respect thereto set forth in any provision of this Agreement, nor limit, waive or effect any rights of termination with respect thereto, including but not limited to, the right of the Port Authority to terminate this Agreement, whether before or after the occurrence of the Assumable Maintenance and Repair Date pursuant to Section 20 hereof entitled "Termination by the Port Authority".

(2) The Port Authority shall not be obligated to the Lessee to furnish the Assumable Maintenance and Repair at any time while the Lessee shall be in default under this Agreement (except for the Lessee's default in performing the Assumable Maintenance and Repair).

(3) No failure, delay or interruption in performing the Assumable Maintenance and Repair by the Port Authority shall be or be construed to be an eviction of the Lessee or grounds for the diminution or abatement of rentals, fees, or other charges, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for termination of this Agreement by the Lessee pursuant to Section 37 hereof entitled "Termination by Lessee" or for any claims by the Lessee for damages, consequential or otherwise.

(4) The Port Authority shall be under no obligation to perform the Assumable Maintenance and Repair if and to the extent that during any period such performance shall be prohibited, limited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency. Furthermore, the obligation of the Port Authority to perform the Assumable Maintenance and Repair shall be deemed limited and modified during any period that

repair or rebuilding of the Premises is required pursuant to Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee" or Section 12 hereof "Damage to or Destruction of the Premises".

(f) Return of the Assumable Maintenance and Repair to the Lessee

(1) At any time and from time to time after the Port Authority may have exercised its rights under this Section to perform the Assumable Maintenance and Repair the Port Authority shall have the right, upon notice to the Lessee to return the obligation to perform the Assumable Maintenance and Repair to the Lessee commencing on a date to be specified in such notice which date shall be not less than thirty (30) nor more than ninety (90) days from the giving of such notice. Such date shall be the "Return Date of the Assumable Maintenance and Repair". From and after the Return Date of the Assumable Maintenance and Repair the Lessee shall perform the Assumable Maintenance and Repair pursuant to and in accordance with all the terms and provisions of the Lease including, but not limited to, this Section.

(2) From and after the Return Date of Assumable Maintenance and Repair the Lessee shall continue to pay the Cost of Assumable Maintenance and Repair, it being understood, that nothing herein shall release or be deemed to release the Lessee from the payment to the Port Authority of the Cost of Assumable Maintenance and Repair including that portion thereof consisting of the Annual Capital Cost in accordance with paragraph (d) hereof arising prior to the Return Date of the Assumable Maintenance and Repair; nor shall anything herein require the Port Authority to make any calculation or determination with respect to the Cost of Assumable Maintenance and Repair prior to the time specified therefor in paragraph (d) hereof.

Section 57. Joint Periodic Condition Survey

In addition to and without limiting, Section 6 hereof entitled "Compliance with Governmental Requirements", Section 7 hereof entitled "Rules and Regulations", Section 8 hereof entitled "Various Obligations of the Lessee", Section 9 hereof entitled "Prohibited Acts", Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee", Section 11 hereof entitled "Insurance", Section 12 hereof entitled "Damage to or Destruction of Premises", Section 15 hereof entitled "Obstruction Lights", Section 16 hereof entitled "Additional Rent and Charges", Section 17 hereof entitled "Rights of Entry Reserved", Section 26 hereof entitled "Surrender", Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority", Section 59 entitled "Environmental Obligations" and Section 65 entitled "Storage Tanks" or any other term, provision, covenant or condition of this Agreement, the Lessee and the Port Authority hereby agree that, in addition to any other inspection of the Premises which may be made under any other Section of this Agreement or otherwise, a Condition Survey (as hereinafter defined) of the Premises shall be conducted by the Condition Survey Contractor (as hereinafter defined) at each of the time periods specified below subject to and in accordance with

the following terms and conditions:

(a) As used herein the following terms shall have the following meanings:

(1) "Condition Survey" shall mean an inspection by the Condition Survey Contractor of the Premises, including without limitation the then current state of cleaning, maintenance, janitorial services, painting, structural and nonstructural conditions, surface and subsurface conditions, environmental conditions, lighting of building areas, ramp and apron areas, and the condition of utilities and utility systems, fire-fighting and fire protection equipment and systems, communications and communications systems, antipollution systems and devices, fuel facilities and systems, and the Lessee's fixtures, equipment and personal property, and also including the items mentioned or covered by Sections 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 26, 56 and 65 of this Agreement;

(2) "Condition Survey Contract" shall mean and refer to a contract awarded to a Condition Survey Contractor, or entered into between the Port Authority and a Condition Survey Contractor, for the performance by such Condition Survey Contractor of a Condition Survey at any of the applicable times as specified in subparagraph (b) hereof;

(3) "Condition Survey Contractor" shall mean and refer to the contractor to whom the Condition Survey Contract is awarded pursuant to subparagraph (b) hereof which Condition Survey Contractor shall be a reputable engineering firm, licensed or authorized to do business in the State of New York;

(4) "Condition Survey Report" shall mean the report prepared by the Condition Survey Contractor under its Condition Survey Contract after its completion of the Condition Survey work under its Condition Survey Contract including without limitation any and all recommendations for repair, maintenance, rebuilding and cleaning of all items or areas covered by the Condition Survey;

(5) "Costs of the Condition Survey" shall mean and include with respect to each Condition Survey all amounts paid and expenses incurred by the Port Authority, including all interest, costs, damages and penalties, in accordance with the provisions of Section 16 entitled "Additional Rent and Charges" for, relating to or in connection with Condition Survey work to be performed under the Condition Survey Contract;

(6) "Report Date" shall mean the date of the Port Authority's written notice to the Lessee by which the Port Authority delivers to the Lessee the Condition Survey Report.

(b) No earlier than sixty (60) days preceding the expiration of each period consisting of five (5) consecutive years occurring during the letting hereunder, beginning with the first such five-

year period which commences on the Completion Date and ends on the fifth anniversary of the Completion Date and no earlier than sixty (60) days preceding the last day of the month which constitutes the twelfth month preceding the expiration date, the Port Authority may advise the Lessee of a proposed Condition Survey Contract (which may include all or particular portions of the items described in paragraph (a)(i) above) and including the name of the proposed Condition Survey Contractor who will perform a Condition Survey and the proposed scope of the proposed Condition Survey Contract and the proposed fee structure of the contract. Within thirty (30) days after the Port Authority's notice to the Lessee, the Lessee shall advise the Port Authority in writing of its concurrence or objection to the proposed Condition Survey Contract. In the event the Lessee fails to respond during the said time period, said nonresponse shall be deemed a concurrence and the Port Authority shall proceed with the said Condition Survey Contract for purposes of performing a Condition Survey. In the event the Lessee notifies the Port Authority of its objections to the proposed Condition Survey Contract or Condition Survey Contractor, the parties hereby agree to consult with each other in good faith to resolve such dispute. If such resolution is not reached within a reasonable period of time not to exceed thirty (30) days, then the Port Authority, if it so elects, shall make a determination as to the issue or issues in dispute. The parties hereby agree that the Port Authority's determination of said issues, including the Condition Survey Contract and the Condition Survey Contractor shall be final.

(c) It is hereby expressly understood and agreed that the selection of each Condition Survey Contractor for the purposes of a Condition Survey and including the award of any Condition Survey Contract to such Condition Survey Contractor shall be subject to and consistent with the Port Authority's policies and practices for the selection and award of similar contracts and the Port Authority shall have as full a right to require the use of competitive bidding and award, or other basis of award, for any such Condition Survey Contract as if the work on such contract were being performed solely for the Port Authority; and further that the Condition Survey Contract shall contain terms and conditions which are standard to Port Authority contracts or consistent with such standard provisions.

(d) With respect to each Condition Survey, all Costs of the Condition Survey shall be shared equally between the Port Authority and the Lessee. Accordingly, the Lessee hereby agrees to pay to the Port Authority fifty percent (50%) of the Costs of the Condition Survey with respect to each Condition Survey as follows:

(1) The Lessee shall pay to or reimburse the Port Authority for the Costs of the Condition Survey as follows: The Port Authority shall after the completion of the Condition Survey work under a Condition Survey Contract and, if it elects, also from time to time during the course of the performance of the Condition Survey work under such Condition Survey Contract, submit to the Lessee a certificate or certificates setting forth the Costs of the Condition Survey at the date of each such certificate. Within thirty (30) days after the delivery of each such certificate, the Lessee shall pay to the Port Authority an amount representing fifty percent (50%) of said Costs of the Condition

Survey as such amount is set forth in said certificate. Upon its final determination of the Costs of the Condition Survey, the Port Authority shall submit to the Lessee a certificate marked "Final" setting forth the final determination of the Costs of the Condition Survey with respect to each Condition Survey Contract as reduced by any previous payment with respect to such Condition Survey Contract, and the Lessee shall and hereby agrees to pay to the Port Authority within thirty (30) days of such certificate an amount representing fifty percent (50%) of said Costs of the Condition Survey as such amount is set forth in said certificate; provided, however, that neither the foregoing nor any certificate delivered by the Port Authority, nor any payment made by the Lessee shall waive, affect, or impair any right of the Port Authority of review and audit with respect to the Costs of the Condition Survey and with respect to each Condition Survey Contract and provided, further, however, that in the event any such review or audit by the Port Authority requires an adjustment of the Costs of the Condition Survey the Lessee shall be promptly credited with or shall pay to the Port Authority all amounts required by such adjustment.

(2) Without limiting any of the terms and provisions of Section 16 hereof entitled "Additional Rent and Charges", any and all amounts required to be paid by the Lessee hereunder may be added to any installment of rent thereafter due hereunder and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were part of the rent as set forth in Section 4 hereof entitled "Rental".

(e) The Lessee hereby agrees to and shall commence within ninety (90) days after the Report Date all items and all action required or recommended to be taken as set forth in each Contract Condition Survey Report that are necessary or required to meet the Lessee's maintenance or repair or any other of its obligations, duties or responsibilities under this Agreement and the written notice of the Port Authority delivering said Report, unless the Port Authority expressly advises the Lessee to the contrary as to any particular item(s), and the Lessee shall diligently continue the same to completion; provided, however, that any and all items, action or work related to or affecting or involving fire safety, health, structural integrity, life safety, security and other emergency response systems shall be promptly commenced.

(f) The Lessee hereby agrees that the Condition Survey Contractor shall have all rights of entry to the Premises during all reasonable times as appropriate or required to perform or complete the Condition Survey and the Condition Survey Report under the Condition Survey Contract.

(g) It is expressly understood and agreed that neither the provisions of this Section including without limitation the right of the Port Authority to have the Lessee perform and complete the work required by the Condition Survey Report, the obligation of the Lessee so to perform and complete such work, or any such performance thereof by the Lessee, any failure of the parties to select a Condition Survey Contractor, any failure of any Condition Survey Contractor to perform

and complete a Condition Survey Contract, nor any failure by the Lessee or the Port Authority to pay the Costs of the Condition Survey with respect to any Condition Survey Contract, or any portion thereof, shall or shall be deemed to release, waive, affect, restrict or impair any of the obligations, duties, responsibilities or liabilities of the Lessee under any term, provision, covenant or condition of this Agreement nor to limit, waive, affect, restrict or impair any right or remedy of the Port Authority including without limitation any right of the Port Authority to terminate the letting hereunder whether before or after the Report Date. Without limiting the foregoing, it is expressly understood and agreed that the Lessee shall not postpone or delay any action, maintenance, rebuilding or repair or other item or thing required to be taken by the Lessee under any other section of this Agreement.

(h) Notwithstanding anything to the contrary, the Port Authority shall have the right, exercisable in its sole and complete discretion, to exclude from the scope of a Condition Survey with respect to any Condition Survey Contract those items covered by Section 56 hereof for or during such period or periods, if any, when the Port Authority has elected to exercise its rights under Section 56 hereof to perform the Assumable Maintenance and Repair.

Section 58. Condition of the Premises

(a) The Lessee hereby acknowledges that it has not relied upon any representation or statement of the Port Authority or its Commissioners, officers, employees or agents as to the condition of the Premises. The Lessee, prior to any portion of the Premises becoming a part of the Premises hereunder, thoroughly examined such portion of the Premises and determined them to be suitable for the Lessee's operations under the Lease and the Lessee hereby acknowledges and agrees that it took the Premises in various portions in the condition they were in as of the date of the respective commencement of the term of the letting thereof under this Lease, the Surrendered Lease, the United Consent and the Northwest Consent with respect thereto and on the date of the effective date of the Lessee's use thereof under Permit No. AYC-136 and Permit No AY-953 with respect thereto. The Lessee hereby further acknowledges that it occupied portions of the Premises under the Former Agreements. In the event that as of the effective date of the letting under this Lease of any portion of the Premises which were occupied or used by the Lessee under any of the Former Agreements, the Lessee shall not have kept any or all of the foregoing in good condition as required under the Former Agreements, the Lessee shall place and keep the same in good condition as required under the Lease.

(b) Without limiting any obligation of the Lessee to commence operations hereunder at the time and in the manner stated elsewhere in this Agreement, the Lessee agrees that no portion of the Premises will be used initially or at any time during the letting which is in a condition unsafe or improper for the conduct of the Lessee's operations hereunder so that there is possibility of injury or damage to life or property. The Lessee hereby acknowledges that during the periods that the Former Agreements were in effect it performed repairs and construction and installed improvements

on the Premises, title to all of which, except for the Tanks, it is hereby agreed has vested in the City of New York. Further, it is hereby understood and agreed that whenever reference is made in this Agreement to the condition of the Premises as of the commencement of the term thereof, the same shall be deemed to mean with respect to any portion of the Premises which were not occupied or used by the Lessee pursuant to any of the Former Agreements, the condition of the Premises as of the commencement of the term thereof under this Agreement, and with respect to any portion of the Premises which were occupied or used by the Lessee pursuant to any of the Former Agreements, the condition of the Premises as of the commencement of the term of the Former Agreement pursuant to which the Lessee first occupied or used such portion of the Premises, and as to the improvements made and the alternation work performed during the term of this Agreement and the Former Agreements, in the condition existing after the completion of the same.

Section 59. Environmental Obligations

(a) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO, the Lessee shall be fully responsible at its sole cost and expense and shall relieve the Port Authority for and from all obligations to comply with, obey or execute the ACO and all other Environmental Requirements for which the Lessee is obligated under this Lease to comply with, obey or execute. In the event that the Port Authority shall be ordered, requested or required to comply with, obey or execute any Environmental Requirement for which the Lessee is responsible pursuant to this Lease to comply with, obey or execute, the Lessee shall upon notice from the Port Authority and at its sole cost and expense and in its own name do and perform whatever is required to comply with, obey and execute such Environmental Requirement notwithstanding the issuance of any no further action letter or other release granted by the DEC pursuant to the ACO.

(b) (1) Without limiting any other term, provision or condition contained in this Lease and in addition thereto and notwithstanding anything to the contrary in the ACO or any approval by the Port Authority, and except for Hazardous Substances in, on, under or about the Premises caused solely by the acts or omissions of the Port Authority after the Section 2B Work Completion Date, the Lessee on its own behalf and on behalf of its predecessors, successors, assigns and insurers agrees ab initio to April 11, 1956 to assume all risks and responsibility for and to forever remise, release, discharge, hold harmless, reimburse and indemnify the Port Authority, its Commissioners, officers, employees and representatives from and against, including without limitation reimbursing the Port Authority for its costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) incurred in connection with the defense of, any and all past, present and future Liabilities whatsoever on account of, arising or alleged to arise out of, or in any way related to or in connection with, or caused by or resulting from, the condition of the Premises (including without limitation the groundwater thereunder and whether any aspect of such condition existed prior to, on or after the effective date of the Lessee's first letting or use, as the case shall be, of the Premises

under the Former Agreements, this Lease or otherwise), a Risk-based Clean-up, any Section 2B Work, any Environmental Requirement for which the Lessee is obligated under this Lease to comply with, obey or execute or any Environmental Damage (all the foregoing to include without limitation the compliance with and/or violation of any such Environmental Requirement, the investigation, remediation, excavation, removal, clean-up, management, encapsulation, containment, abatement, treatment, monitoring, transportation, disposal, release, spill, deposit, emission, migration, seepage, leakage, discharge, handling, and storage of Hazardous Substances, the exacerbation of contamination, any increased construction costs and expense, construction delays, the performance of any dewatering or discharging by the Lessee, the use of American's Permits and the cost of demolition and rebuilding of any improvements on the Premises) or arising or alleged to arise out of, or in any way related to, a breach or default of the Lessee's obligations under this Section 59 or under this Lease with respect to any Hazardous Substance, any Environmental Damages, the Section 2B Work or any Environmental Requirement including without limitation all costs and expenses (including without limitation, those of Port Authority's staff) in enforcing the provisions thereof, and whether any of the foregoing arise out of any Hazardous Substance on the Premises prior to or after the effective date of the letting of the Premises to the Lessee under the Lease or out of the acts or omissions of the Lessee or of the Port Authority or of the contractors of the Lessee or of the Port Authority or of third Persons or out of the acts of God or the public enemy or otherwise, provided, however, if and only if an indemnity claim or demand is made by a third Person against the Port Authority and such claim or demand (i) is for indemnification by the Port Authority of the fault of such third Person, (ii) arises solely pursuant to a written agreement voluntarily entered into by the Port Authority with such third Person after the Effective Date (the "Voluntary Agreement"), and (iii) other than the Voluntary Agreement there is no past, existing or future obligation whatsoever whether arising at or pursuant to law, equity, contract, contribution, litigation or otherwise for the Port Authority to in part or in whole so indemnify such third Person for such claim or demand, then and only if such claim and demand meets all the criteria set forth in the foregoing items (i), (ii) and (iii) the Lessee shall not be obligated pursuant to this paragraph (b) to indemnify the Port Authority for such claim or demand. If so directed, the Lessee shall at its own expense defend any suit based upon the foregoing and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(2) Nothing contained in this paragraph (b) or not contained in this paragraph (b) shall be or shall be deemed to limit the generality thereof, except, however, it is hereby agreed that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (b) where such indemnity is precluded by statute.

(c) In addition to and without limiting the generality of the obligations of the Lessee set

forth in Section 6 hereof entitled "Compliance with Governmental Requirements" and elsewhere in this Agreement, the Lessee shall, except as set forth in paragraphs (e) and (f)(1) below and Section 2B(d)(9)(ii), at its sole cost and expense and in accordance with and subject to the provisions of Section 2B entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" or Section 33 hereof entitled "Other Construction by the Lessee", as the case shall be, upon notice from the Port Authority, promptly commence removal and remediation of and work diligently to remove and remediate (i) all Hazardous Substances in, on or under the Premises or which have migrated from the Premises to any adjoining property, which any Governmental Authority or any Environmental Requirement or violation thereof require to be remediated, or which are necessary to mitigate Environmental Damages including, but not limited to, the investigation of the environmental condition of the area to be remediated, the preparation of feasibility studies, reports and remedial plans, the notification of the appropriate Governmental Authorities and the performance of any cleanup, remediation, containment, operation, maintenance, monitoring or restoration work; the standard for any of the foregoing to be that which requires the lowest level of a Hazardous Substance and (ii) completely remove all Hazardous Substances disposed of, released or discharged by the Lessee or permitted by the Lessee to be disposed of, released or discharged on the Premises and/or the Airport, provided, however, the Lessee shall not be required pursuant to this item (ii) to remove any Naturally Occurring Hazardous Substance unless such Naturally Occurring Substance was disturbed or acted upon by the Lessee and thereby became subject to removal to satisfy an Environmental Requirement or otherwise became subject to removal in order to comply with an Environmental Requirement. Any such actions shall be performed in a good, safe and workmanlike manner and shall minimize any impact on activities off the Premises and at the Airport. Promptly upon completion of such investigation and remediation, the Lessee shall seal or cap all monitoring wells and test holes, remove all associated equipment and restore the remediated property.

(d) Without limiting the generality of any other term or provision of this Lease, the Lessee shall not permit any Environmental Restriction to occur and shall, if and as directed by the Port Authority, clean-up, remediate and restore the Premises and the groundwater thereunder and take any other action to remove any Environmental Restriction.

(e) Notwithstanding anything else to the contrary in this Lease, the Lessee shall not have any obligations under this Lease for any Hazardous Substance in, on, under or about the Premises whose presence in, on, under or about the Premises shall be caused solely by the acts or omissions of the Port Authority occurring after the Section 2B Work Completion Date, the foregoing to include, without limitation, all obligations to comply with, obey or execute any Environmental Requirement solely because of the presence of any such Hazardous Substance in, on, under or about the Premises whose presence in, on, under or about the Premises shall be caused solely by the acts or omissions of the Port Authority occurring after the Section 2B Work Completion Date.

(f) (1) No review of, comment on or objection to or failure to review, object to or comment on the ACO by the Port Authority, nor the incorporation in the ACO of any Port Authority comment or objection, nor the specific mention of or reference to the Port Authority, including without limitation its policies or practices, in any part of the ACO shall or shall be deemed to have imposed any duty, obligation, limitation or liability on the Port Authority, including without limitation, with respect to any consent or approval of the Port Authority now or hereafter to be obtained, nor shall anything in this Lease or the ACO be or be deemed to create an inference that the Port Authority has granted or would grant its consent or approval to any matters not specifically covered by this Lease but referred to in the ACO which under this Lease require the further consent or approval of the Port Authority or that the Port Authority shall hereafter grant its consent or approval thereto or that the Port Authority's discretion as to granting any such consents or approvals shall in any way be affected or impaired. The lack of any specific reference in any provision of the ACO to Port Authority approval or consent shall not be deemed to imply that no approval or consent is required and with respect such approvals and consents this Lease shall in all respects be controlling, effective and determinative. Without limiting the generality of the foregoing, the Lessee acknowledges and agrees that pursuant to the Lease, except as set forth in paragraph (d)(9)(ii) of Section 2B of this Lease entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", that it shall not perform any work to be performed pursuant to the ACO, including without limitation the use of any risk based clean-up levels or goals or other regulatory approved clean-up levels or goals, unless approved in advance in writing by the Port Authority and that no Port Authority approval shall release the Lessee from any of its obligations under this Lease, provided, however, the Lessee may in its performance of the Section 2B Work use the Approved Cleanup Criteria for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil and groundwater in, on and under the Premises and provided that the Lessee shall comply with all requirements of all Governmental Authorities for the use of the Approved Cleanup Criteria including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport and with all the requirements of the DEC pursuant to the ACO. In performing any work pursuant to the ACO, the Lessee shall comply with all the agreements, terms and conditions of the Lease, this Lease and all applicable Port Authority approvals.

(2) In the event any of the terms, conditions, and provisions of the ACO are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Lease, as between the Port Authority and the Lessee, the terms, conditions and provisions of the Lease shall be controlling, effective and determinative. Neither the ACO nor any action taken or not taken or performance or non-performance thereunder shall affect or alter or be deemed to have affected or altered the rights and remedies of the Port Authority under this Lease or as the operator of the Airport. Further, no fulfillment of the Lessee's obligations pursuant to the ACO or release of the Lessee thereunder by the DEC, including without limitation the issuance of any no further action letter by the DEC, shall or shall be deemed to mean or imply that the Lessee has fulfilled all,

or been released from any of its obligations under this Lease.

(3) Neither the ACO nor anything contained therein, nor any action taken, approval or release granted or performance pursuant thereto shall release, excuse or relieve the Lessee from any of its promises or obligations under this Lease nor have affected any rights or remedies of the Port Authority with respect to the Lessee or any rights or remedies of the Port Authority under this Lease. In addition, no consent or approval given by the Port Authority in connection with any matter covered by the ACO shall be or shall be deemed to be consent to any matter not expressly set forth in such consent or approval.

(4) The Lessee acknowledges and agrees that the ACO has been entered into between the Lessee and the DEC, that the Port Authority is not a party to the ACO, and that the Port Authority shall have no liability, obligation or responsibility with respect thereto or the obligations, liabilities and responsibilities of the Lessee thereunder and no term, condition or provision of the ACO shall be binding on or effective against or with respect to the Port Authority. Without limiting the generality of the foregoing and notwithstanding any review by the Port Authority of the ACO or any portion thereof nor any comment by the Port Authority thereon or failure of the Port Authority to comment thereon, the Port Authority shall have no liability or responsibility with respect to the information, facts, statements or other matters contained in or covered by the ACO, including without limitation their accuracy, completeness, correctness or truthfulness, nor shall any such information, facts, statements or matters be binding on the Port Authority in anyway whatsoever, including without limitation any presumption that they are accurate, complete, correct or true. In addition, no objection to, review of or comment on nor any failure to review, object to or comment on the ACO by the Port Authority shall or shall be deemed to be any representation or warranty by the Port Authority as to the accuracy, completeness, correctness or truthfulness of any information, fact, statement or matter covered by the ACO, including without limitation, any references to the Port Authority or its policies or requirements.

(5) The Lessee acknowledges and agrees that the ACO shall not create nor be used to create a presumption or admission that the Port Authority is, or be the basis upon which the Port Authority is made or claimed to be, a potentially responsible or responsible party for the contamination covered by the ACO nor shall the inclusion of the Port Authority in the ACO in the same manner as other potentially responsible parties in any way change or affect the Port Authority's obligations or liabilities with respect to such contamination.

(g) Without limiting any other of the Lessee's obligations under the Lease, the Lessee shall provide the General Manager of the Airport at the cost and expense of the Lessee with such information, documentation, records, correspondence, notices, reports, tests results and certifications and any other information necessary to carry out the terms, provisions and conditions of this Agreement and to allow the Port Authority to determine whether the Lessee is in compliance with all of the terms, conditions and provisions of this Agreement. Further, the Lessee agrees

unless directed otherwise by the Port Authority, to provide the General Manager of the Airport with copies of all information, documentation, records, correspondence, notices, certifications, reports, test results, submittals and all other written communication between a Governmental Authority and the Lessee with respect to the ACO Work and any Environmental Requirement which the Lessee is obligated to comply with, obey or execute hereunder or any Environmental Damages at the same time the same are provided by the Lessee to a Governmental Authority and within two (2) business days that the same are provided to the Lessee by a Governmental Authority. The Lessee in reporting any Hazardous Substance at the Airport shall direct such report to the attention of such individual at the subject Governmental Authority as the General Manager of the Airport shall direct in order to assure consistency in the environmental management of the Airport.

(h) The terms and conditions of this Section are intended to allocate obligations and responsibilities between the Lessee and the Port Authority only, and nothing in this Section shall limit, modify or otherwise alter the rights and remedies which the Port Authority or the Lessee may have against third parties at law, equity or otherwise.

(i) (1) Without limiting any other term or provision hereof, all the obligations of the Lessee under this Section shall survive the expiration or termination of the letting of the Premises hereunder, provided, however, the Lessee shall not be responsible for any Hazardous Substances in, on, under or about the Premises which the Lessee can prove occurred after the date that the Lessee shall have surrendered the Premises to the Port Authority and were not due to the acts or omissions of the Lessee.

(2) Between the eighth (8th) and sixth (6th) months immediately preceding the expiration of the letting hereunder and within three months after the effective date of the termination thereof, as the case shall be, the Lessee shall at its sole cost and expense and subject to the terms and provisions of Section 33 hereof entitled "Other Construction by the Lessee", sample and test the soil and groundwater in, on and under the Premises in accordance with such standards, methods, protocol and procedures as shall be required by the Port Authority in it sole discretion after consultation with the Lessee in not less than 100 locations as specified by the Port Authority (such sampling and testing of the soil and groundwater is hereinafter referred to as the "Exit Baseline"). All such sampling, testing and the preparation of any associated report shall be performed by a New York State approved independent consultant and laboratory.

(3) It is hereby understood and agreed that the Exit Baseline and the test results therefrom may be used by the Lessee to evidence that a Hazardous Substance in, on or under the Premises occurred after the date that the Lessee shall have surrendered the Premises to the Port Authority.

(j) It is hereby agreed and understood that effective as of August 1, 1976 Lease AYB-085 shall be and be deemed to have been amended and supplemented to include this Section 59 and

all the terms, provisions, covenants and conditions of this Section 59 shall and shall be deemed to be a part of Lease AYB-085 from and after August 1, 1976 and, further, effective as of January 1, 1993 Section 84 of the Lease AYB-085 entitled "Certain Environmental Testing and Clean-Up Obligations" shall be and be deemed to have been deleted from Lease AYB-085.

(k) It is hereby agreed that for all purposes of this Agreement, including without limitation Section 2B, Section 6, Section 65 and this Section, the following shall apply:

(i) The Port Authority has advised the Lessee that it is the intention of the Port Authority with respect to the application of pollution prevention programs, "best management practices plans" and other voluntary programs and agreements adopted or made by the Port Authority with any governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof constituting Environmental Requirements that the Port Authority will treat the Lessee in a similar manner as similarly situated persons at the Airport.

(ii) The Lessee shall have no responsibility to the Port Authority pursuant to this Lease to clean-up, remove or remediate any Migrated Hazardous Substance unless any Governmental Authority (x) shall require that the Lessee and/or the Port Authority clean-up, remediate or remove such Migrated Hazardous Substance or (y) shall require that such Migrated Hazardous Substance be cleaned-up, remediated or removed by a third person(s) and the Lessee has not provided such third person(s) reasonable access to the Premises to perform such clean-up, remediation or removal.

Section 60. Late Charges

If the Lessee should fail to pay any amount required to be paid by the Lessee under this Agreement when due to the Port Authority, including without limitation any payment of rental or any payment of utility or other charges or if any such amount is found to be due as the result of an audit, then, in such event, the Port Authority may impose (by statement, bill or otherwise) a late charge with respect to each such unpaid amount for each late charge period (hereinbelow described) during the entirety of which such amount remains unpaid, each such late charge not to exceed an amount equal to eight tenths of one percent of such unpaid amount for each late charge period. There shall be twenty-four late charge periods on a calendar year basis; each late charge period shall be for a period of at least fifteen (15) calendar days except one late charge period each calendar year may be for a period of less than fifteen (but not less than thirteen) calendar days. Without limiting the generality of the foregoing, late charge periods in the case of amounts found to have been owing to the Port Authority as the result of Port Authority audit findings shall consist of each late charge period following the date the unpaid amount should have been paid under this Agreement. Each late charge shall be payable immediately upon demand made at any time therefor by the Port Authority. No acceptance by the Port Authority of payment of any unpaid amount or of any unpaid

late charge amount shall be deemed a waiver of the right of the Port Authority of payment of any late charge or late charges payable under the provisions of this Section with respect to such unpaid amount. Each late charge shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally a part of the rental. Nothing in this Section is intended to, or shall be deemed to, affect, alter, modify or diminish in any way (i) any rights of the Port Authority under this Agreement, including without limitation the Port Authority's rights set forth in Section 20 hereof entitled "Termination by the Port Authority" or (ii) any obligations of the Lessee under this Agreement. In the event that any late charge imposed pursuant to this Section shall exceed a legal maximum such late charges payable under this Agreement shall be payable instead at such legal maximum.

Section 61. Financing of the Redevelopment Work

The Lessee hereby agrees to assume and to relieve the Port Authority from all risks and responsibilities whatsoever arising out of or in connection with the financing of or payment for the Redevelopment Work or any portion thereof, including without limitation, obtaining or the failure to obtain financing therefor. The Lessee has advised the Port Authority that as of the Effective Date that it has not obtained financing for the performance of the Redevelopment Work and that notwithstanding that fact, and the further fact that the Lessee's failure to complete and perform the Redevelopment Work as set forth in this Lease shall result in the term of the letting hereunder not being extended beyond December 27, 2015 and affect the amount and duration of the Building Rentals payable hereunder, that the Lessee nevertheless desires to enter into this Amended and Restated Agreement of Lease on the Effective Date even though it may not be able to obtain financing for all or any portion of the Redevelopment Work and as a result may not have the monies available to complete and perform the Redevelopment Work as set forth in this Lease. The Lessee understands that there may be many problems to be resolved before the Lessee obtains financing for the Redevelopment Work and that all such problems may not be resolved. The Lessee hereby acknowledges and agrees it has entered into this Amended and Restated Agreement of Lease being fully cognizant of the fact that the financing of the Redevelopment Work may not be obtained and agrees that neither the fact that it does not have financing for all or portions of the Redevelopment Work on the Effective Date nor any failure to obtain financing for the Redevelopment Work shall not be nor be deemed to be an anticipatory breach of or be the basis of any claim for impossibility of performance of any of the Lessee's obligations, duties or liabilities under the Lease or to otherwise excuse, release, annul, alter, waive, restrict, impair or affect any of such obligations, duties or liabilities. The Lessee further acknowledges and agrees that the Port Authority shall have no obligation whatsoever under the Lease or otherwise, including without limitation, upon any expiration or earlier termination of the letting under the Lease, with respect to the financing of or payment for the Redevelopment Work, including but not limited to, any obligation to approve or enter into any agreement in connection with the financing of the Redevelopment Work or to undertake or not undertake any other action with respect thereto.

Section 62. Future Airport Transportation Facilities and Operations Use of Portions of the Premises

(a) The Lessee understands that the Port Authority is constructing certain ground transportation facilities at the Airport including, but not limited to, a light rail passenger distribution system ("AirTrain"). It is presently contemplated that the AirTrain will generally include a rail transportation system circulating around the Central Terminal Area of the Airport generally aligned along the roadway frontage of the passenger terminal buildings and with stations to serve the passenger terminal buildings in the CTA at various locations. At the discretion of the Port Authority, stations may be located to serve one or more passenger terminal buildings in the CTA, Airport parking areas, rent-a-car facilities, other areas of the Airport and off Airport transit systems. The Lessee agrees to perform the work set forth in paragraph (a)(2)(xvii) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" in connection with the AirTrain. The Port Authority expects to complete the planning and design for the AirTrain and upon completion of such planning and design, to implement the construction of the AirTrain and after the completion of such construction, to maintain and operate the AirTrain for the accommodation and transportation of persons desiring to use the same, and their baggage. The Port Authority will keep the Lessee advised from time to time of the progress of the planning, design and construction of the AirTrain, particularly as it relates to the Premises hereunder. The Lessee acknowledges and agrees that the AirTrain will be a benefit and enhancement to the Airport and to the Lessee's operations thereon.

(b) (1) The Lessee understands that the construction and operation of the AirTrain may require the location on the Premises of a passenger station (including pedestrian access between it and the passenger terminal building) and, in addition, requires the use of a portion or portions of the Premises for and in connection with the construction, maintenance or operation of other portions of the AirTrain. The Lessee agrees that it shall make available to the Port Authority upon demand such use for or in connection with the construction, maintenance and operation of the AirTrain for such purposes as may be required or be appropriate therefor and, where such portion of the AirTrain exclusively serves the Premises, the same shall be made available by the Lessee without abatement of rental or charges hereunder or any payments by the Port Authority to the Lessee therefor. Where such portion of the AirTrain does not exclusively serve the Premises then the rental hereunder shall be abated in accordance with the rental abatement provisions of this Lease.

(2) Without limiting the terms and provisions of paragraph (b)(1) above, the Lessee shall comply with the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" with respect to the design and construction of the AirTrain and the coordination of the same with the Section 2B Work as set forth in said Section 2B.

(c) The Lessee understands that the Port Authority considers the construction, operation and maintenance of the AirTrain of the utmost importance to the efficient operation of the Airport and to the fulfillment of the Port Authority's governmental function to provide, maintain, develop and operate the Airport; that the efficient use and operation of the AirTrain will require that the Lessee in the operation and use of its passenger terminal facilities under this Lease shall utilize and cooperate in the operation of the AirTrain to the end that the AirTrain shall be utilized to the fullest extent possible so that its advantages and efficiencies can be fully realized; and that the Port Authority does not by this Lease intend to enter into any agreement, understanding or commitment which will interfere with, limit, restrict, hinder or prevent in any way the development, construction, maintenance, operation or efficient use of the AirTrain.

(d) The Lessee also understands and acknowledges that the cost of planning, design, construction, maintenance and operation of the AirTrain will be accorded the same cost recovery treatment as the similar elements of the Air Terminal Highway is accorded in the General Airport Agreement for calculation of the flight fees under the General Airport Agreement and the same cost recovery treatment as the Air Terminal Highway is accorded for the calculation of other fees and charges under other existing agreements and policies at the Airport, and under any agreements which may be entered into in the future including agreements to replace such existing agreement(s) or the General Airport Agreement.

(e) The Port Authority has also advised the Lessee that it is the intention of the Port Authority that with respect to the maintenance, operation, use and payment for the AirTrain all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner including the treatment of the cost, if any, of each in connecting its airport terminal facility to the AirTrain.

(f) Without limiting any other provisions of this Section the Lessee understands and agrees that changes and modifications to certain provisions of the Lease including, but not limited to, Section 48 hereof entitled "Ingress and Egress", and Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area" and Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management", may be required or appropriate to conform the provisions of these Sections to the operation of the AirTrain and the Lessee agrees upon the presentation to it of a form of supplemental agreement to this Lease which includes such modifications it will execute and return the same to the Port Authority. The Port Authority and the Lessee agree that each will consult with the other, from time to time, and will provide information to the other, from time to time, with respect to the study, planning, design, construction, maintenance and operation of the AirTrain and its interconnection with the Lessee's passenger terminal facilities at the Premises.

Section 63. Club Rooms

In the event the Lessee provides any rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests or invitees it shall furnish such rooms or space at its expense and without cost to the Port Authority. The Lessee agrees that any food, alcoholic or non-alcoholic beverages and similar items sold or furnished to the Lessee's passengers, guests or invitees shall be obtained by the Lessee from a Restaurant Operator who has been authorized to operate establishments for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in passenger terminal facilities at the Airport. All monies paid or payable to a Restaurant Operator for such sales shall be included in the Gross Receipts of such Restaurant Operator. In the event the Lessee wishes to use its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items it may do so; provided that the food, alcoholic and non-alcoholic beverages are obtained by the Lessee from a Person who has been issued a permit by the Port Authority granting such Person permission to provide such food and beverages and provided that monies paid therefor, in that event, shall not be included in the Gross Receipts of such Person. If the Lessee uses its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items, the Lessee will not be obligated to pay a fee to the Port Authority which would be greater than the fee that would be retained by the Port Authority if the food, alcoholic or non-alcoholic beverages and similar items were served by a Restaurant Operator.

Section 64. Lessee's Service Standards

Subject to and without limiting or affecting any other term or provision of the Lease, the Lessee agrees to provide services at the Premises for the benefit of the traveling public in a manner consistent with generally accepted airline industry standards for airport terminals and will cooperate with the Port Authority and other airlines serving the traveling public at the Airport in maintaining these standards through organized airport service improvement working groups.

Section 65. Storage Tanks

(a) All underground storage tanks and all above ground storage tanks installed in the Premises as of the commencement of the Lessee's occupancy of the Premises or any portion thereof, together with all underground storage tanks and all above ground storage tanks installed in the Premises during the term of the letting hereunder or during the letting or use of the Premises by the Lessee under any previous agreement, and its or their appurtenances, pipes, lines, fixtures and other related equipment are hereinafter collectively called the "Tanks" and singularly called a "Tank". Notwithstanding any other facts or circumstances the contrary including without limitation any vesting of title to the Tanks in the City of New York pursuant to any construction or alteration application or otherwise, the Lessee hereby agrees that title and ownership of the Tanks shall be and remain in the Lessee, that all Tanks shall be registered by the Lessee in the name of the Lessee as operator and owner and that the Lessee shall have full and sole responsibility for all the Tanks, and shall release and relieve the Port Authority from all costs and responsibility for the Tanks. The Port Authority has made no representations or warranties with respect to the Tanks or their location and

shall assume no responsibility for the Tanks. All Tanks installed by the Lessee shall be installed pursuant to the terms and conditions of the Lease including without limitation Section 33 hereof entitled "Other Construction by the Lessee" and nothing in this Section shall or shall be deemed to be permission or authorization to install any Tanks.

(b) Without limiting the generality of any of the provisions of the Lease, the Lessee agrees that it shall be solely responsible for maintaining, testing and repairing the Tanks. The Lessee shall not perform any servicing, repair or non-routine maintenance to the Tanks without the prior written approval of the Port Authority. In addition, the Lessee, at its sole cost and expense, shall make all modifications to the Tanks and take all other actions so that the Tanks shall at all times comply with all applicable Environmental Requirements.

(c) (1) The Lessee shall remove all the Tanks from the Premises on or before the expiration of the Lease (unless the Lessee shall have received the prior written approval of the Port Authority to have abandoned a tank in place and such abandonment continues to meet all applicable Environmental Requirements) and the Lessee agrees to dispose of the Tanks off the Airport in accordance with all applicable Environmental Requirements.

(2) Any removal of the Tanks shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval and in connection with such removal, the Lessee shall restore the Premises to the same condition existing prior to the installation of the Tanks, shall perform such testing of the Tanks and of the soil, sub-soil and ground water in the vicinity of the Tanks as shall be required by the Port Authority and shall clean-up and remediate any contamination disclosed by said testing. In the event the Lessee does not remove the Tanks as required by subparagraph (1) above, the Port Authority may enter upon the Premises and effect the removal and disposal of the Tanks, restoration of the Premises and such remediation and the Lessee hereby agrees to pay all costs and expenses of the Port Authority arising out of such removal, disposal, restoration and remediation.

(d) Without limiting the generality of any other term or provision of the Lease, the Lessee shall at its cost and expense comply with all Environmental Requirements applicable to the Tanks, including without limitation any modifications or closures required thereby, and any Discharge (as defined in paragraph (i) hereof) including without limitation testing the Tanks and registering the Tanks in the name of the Lessee as owner and operator, submitting all required clean-up plans, bonds and other financial assurances, performing all required clean-up and remediation of Discharges and filing all reports, making all submissions to, providing all information required by, and complying with all requirements of, all Governmental Authorities pursuant to all such Environmental Requirements. Nothing in the foregoing shall be construed as a submission by the Port Authority to the application to itself of the Environmental Requirements, provided, however, no immunity or exemption of the Port Authority from the Environmental Requirements shall excuse the compliance therewith by the Lessee or shall be grounds for non-

compliance therewith by the Lessee.

(e) (1) Without limiting the terms and provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" and Section 13 hereof entitled "Indemnity and Liability Insurance", the Lessee hereby assumes all risks arising out of or in connection with the Tanks and all Discharges whether or not foreseen or unforeseen and shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against (and shall reimburse the Port Authority for their costs and expenses including without limitation penalties, fines, liabilities, settlements, damages, attorney and consultant fees, investigation and laboratory fees, clean-up and remediation costs, court costs and litigation expenses), all claims and demands, just or unjust, of third Persons (such claims and demands being hereinafter in this Section referred to as "Claims" and singularly referred to as a "Claim") including but not limited to those for personal injuries (including death), property damages, or environmental impairment, arising or alleged to arise out of or in any way related to, the failure of the Lessee to comply with each and every term and provision of the Lease, or the Tanks, or any Discharge, or any lawsuit brought or threatened, settlement reached or any governmental order relating to the Tanks or a Discharge, or any violation of any Environmental Requirement or demands of any Governmental Authority based upon or in any way related to the Tanks or a Discharge, and whether such arise out of the acts or omissions of the Lessee or of the contractors of the Lessee or of third Persons or out of the acts of God or the public enemy or otherwise including Claims by the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims. It is understood the foregoing indemnity shall cover all claims, demands, penalties, settlements, damages, fines, costs and expenses of or imposed by any Governmental Authority under the aforesaid Environmental Requirements.

(2) If so directed the Lessee shall at its expense defend any suit based upon any such Claim (even if such Claim is groundless, false or fraudulent) and in handling such it shall not without first having express advance permission from the General Counsel of the Port Authority raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(3) The terms and conditions of this paragraph (e) are intended to allocate obligations and responsibilities between the Lessee and the Port Authority only, and nothing in this paragraph (e) shall limit, modify or otherwise alter the rights and remedies which the Port Authority or the Lessee may have against third parties at law, equity or otherwise.

(f) Without limiting or affecting the terms and provisions of Section 23 hereof entitled "Survival of the Obligations of the Lessee", the Lessee's obligations under this Section shall survive

the expiration or earlier termination of the Lease.

(g) In addition to the requirements of Section 6 hereof entitled "Compliance with Governmental Regulations" and paragraph (d) of this Section, the Port Authority shall have the right upon notice to the Lessee to direct the Lessee, at the Lessee's sole cost and expense, (i) to perform such reasonable testing of the Tanks as the Port Authority shall direct and to perform such testing of the soil, subsoil and ground water of the Premises and of such surrounding area as the Port Authority shall direc and (ii) to clean-up and remediate any Discharge, regardless of whether any Environmental Requirement or Governmental Authority shall require such testing, clean-up or remediation, which testing, clean-up and remediation shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval.

(h) In the Lessee's use and operation of the Tanks, the Lessee shall not permit any Hazardous Substance from entering the ground including without limitation (subject to Section 33 hereof entitled "Other Construction by the Lessee") installing appropriate spill and overfill devices and placing an impervious material, such as asphalt or concrete, over the ground area above or under, as the case shall be, and in the vicinity of the Tanks.

(i) As used in this Section, "Discharge" shall mean the presence, pumping, pouring, venting, emitting, emptying, leakage, deposit, spill, discharge or other release of Hazardous Substances from the Tanks or in connection with their use, operation, maintenance, testing or repair.

Section 66. Non-Discrimination

(a) Without limiting the generality of any of the provisions of this Agreement, the Lessee, for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, creed, color, sex or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Premises, (2) that in the construction of any improvements on, over, or under the Premises and furnishing of services thereon, no person on the ground of race, creed, color, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended, and any other present or future laws, rules, regulations, orders or directions of the United States of America with respect thereto which from time to time may be applicable to the Lessee's operations at the Airport, whether by reason of agreement between the Port Authority and the United States Government or otherwise.

(b) The Lessee shall include the provisions of paragraph (a) of this Section in every sublease, agreement or concession it may make pursuant to which any Person or Persons, other than the Lessee, operates any facility at the Airport providing services to the public and shall also include therein a provision granting the Port Authority a right to take such action as the United States may direct to enforce such covenant.

(c) The Lessee's noncompliance with the provisions of this Section shall constitute a material breach of this Agreement. In the event of the breach by the Lessee of any of the above nondiscrimination provisions the Port Authority may take appropriate action to enforce compliance; or in the event such noncompliance shall continue for a period of twenty (20) days after receipt of written notice from the Port Authority, the Port Authority shall have the right to terminate this Agreement and the letting hereunder with the same force and effect as a termination under Section 20 hereof entitled "Termination by the Port Authority", or may pursue such other remedies as may be provided by law; and as to any or all the foregoing, the Port Authority may take such action as the United States may direct.

(d) The Lessee shall indemnify and hold harmless the Port Authority from any claims and demands of third Persons, including the United States of America resulting from the Lessee's noncompliance with any of the provisions of this Section and the Lessee shall reimburse the Port Authority for any loss or expense incurred by reason of such noncompliance.

(e) Nothing contained in this Section shall grant or shall be deemed to grant to the Lessee the right to transfer or assign this Agreement, to make any agreement or concession of the type mentioned in paragraph (b) hereof, or any right to perform any construction on the Premises.

Section 67. Affirmative Action

The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

Section 68. The Lessee's Ongoing Affirmative Action, Equal Opportunity and Local Business Enterprises Commitment

I. The Lessee's Ongoing Affirmative Action, Equal Opportunity Commitment

(a) In addition to and without limiting any other term or provision of this Agreement, the Lessee shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status and shall undertake or continue existing programs of affirmative action to ensure that minority group persons and women are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeship and on-the-job training.

(b) In addition to and without limiting the foregoing, and without limiting the provisions of Section 66 hereof entitled "Non-Discrimination" and Schedule E, it is hereby agreed that the Lessee in connection with its continuing operation, maintenance and repair of the Premises, or any portion thereof, and in connection with every award or agreement for concessions or consumer services at the Airport, shall throughout the term of the letting hereunder commit itself to and use good faith efforts to implement an extensive program of affirmative action, including specific affirmative action steps to be taken by the Lessee, to ensure maximum opportunities for employment and contracting by minorities and women, and by Minority Business Enterprises and Women-owned Business Enterprises. In meeting the said commitment the Lessee agrees to submit to the Port Authority for its review and approval its said extensive affirmative action program, including the specific affirmative action steps to be taken by the Lessee to meet its aforesaid commitment, within sixty (60) days after the Effective Date. The Lessee shall incorporate in its said affirmative action program such revisions and changes which the Port Authority initially or from time to time may reasonably require. The Lessee throughout the term of the Lease shall document its efforts in implementing the said program, shall keep the Port Authority fully advised of the Lessee's progress in implementing the said affirmative action program and shall supply to the Port Authority such information, data and documentation with respect thereto as the Port Authority may from time to time and at any time request, including but not limited to annual reports.

(c) Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(1) Dividing the work to be subcontracted into smaller portions where feasible.

(2) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBES, including circulation of solicitations to minority and female contractor associations. The Lessee shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation as called for in paragraph (b) above, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(3) Making plans and specifications for prospective work available to MBEs

and WBEs in sufficient time for review.

(4) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(5) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that the Lessee will meet its obligations hereunder.

(6) Insuring that provisions are made to provide progress payments to MBEs and WBEs on a timely basis, preferably biweekly, and that retainage it paid to MBEs and WBEs when they have completed their work.

(7) Submitting quarterly reports to the Port Authority (Office of Business and Job Opportunity) detailing its compliance with the provisions hereof.

(8) Requiring each contractor to submit to the Lessee with each payment request evidence that all MBE and WBE contractors have been paid in accordance with their contract.

(d) The Lessee's non-compliance with the provisions of this Section shall constitute a material breach of this Agreement. In the event of the breach by the Lessee of any of the above provisions the Port Authority may take any appropriate action to enforce compliance; or in the event such non-compliance shall continue for a period of twenty (20) days after receipt of written notice from the Port Authority, the Port Authority shall have the right to terminate this Agreement and the letting hereunder with the same force and effect as a termination for default by the Lessee in the performance or observance of any other term or provision of this Agreement, or may pursue such other remedies as may be provided by law.

(e) In the implementation of this Section, the Port Authority may consider compliance by the Lessee with the provisions of any federal, state or local law concerning affirmative action equal employment opportunity which are at least equal to the requirements of this Section, as effectuating the provisions of this Section. If the Port Authority determines that by virtue of such compliance with the provisions of any such federal, state or local law that the provisions hereof duplicate or conflict with such law the Port Authority may waive the applicability of the provisions of this Section to the extent that such duplication or conflict exists.

(f) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents.

(g) Nothing in this Section shall grant or be deemed to grant the Lessee the right to make any agreement or award for concessions or consumer services at the Airport.

II. The Lessee's Local Business Enterprise Commitment

The Lessee in connection with any construction work on the Premises, or any portion thereof, shall throughout the term of the letting hereunder commit itself to and use good faith efforts to implement an extensive program to utilize Local Business Enterprises in accordance with and as set forth in Schedule F.

Section 69. Books and Records

(a) The Lessee shall maintain, in English and in accordance with accepted accounting practice full and complete records and books of account for at least seven (7) years (unless such records and books are material to litigation initiated within that time in which event they shall be maintained until final determination of the controversy), which records and books shall include without limitation all agreements and all source documents such as but not limited to original invoices, invoice listings, timekeeping records, and work schedules and shall record (i) the date and hour of each take-off or departure from the Airport of each aircraft operated by it and the date and hour of the landing by such aircraft next preceding each take-off or departure, (ii) all matters which the Lessee is required to certify to the Port Authority pursuant to this Lease, (iii) all transactions of the Lessee at, through, or in anyway connected with the Airport, and outside the Airport if the order therefor is received at the Airport, in connection with all activities conducted by the Lessee or a third Person relating to In-Flight Meals (including without limitation all payments by the Lessee to its independent contractors which furnish In-Flight Meals or any portion thereof), services provided to Handled Airlines, Accommodated Sublessee Airlines, ground transportation, subleasing of the Premises or any other activity at the Airport or outside the Airport if the order therefor is received at the Airport and which may require pursuant to the terms of this Lease, the General Airport Agreement, any other agreement between the Lessee and the Port Authority or otherwise the payment by the Lessee to the Port Authority of fees, rentals or other amounts in connection with the conduct thereof, and (iv) any other matter concerning the Lessee's operations at the Airport with respect to which the Port Authority may reasonably need information to fulfill its obligations or exercise its rights under this Lease whether or not of the type enumerated above and whether or not an express obligation to keep books and records with regard thereto is expressly set forth elsewhere in this Lease, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each of the foregoing items, matters, transactions and activities, it being understood and agreed that nothing in this Section shall grant or shall be deemed to have granted any rights in the Lessee or any third Person to conduct any business, privilege or other activity or transaction at the Airport or off the Airport.

(b) The Lessee shall cause any Affiliate, if any such Affiliate performs services similar

to those performed by the Lessee, to maintain, in English and in accordance with accepted accounting practice full and complete records and books of account for at least seven (7) years (unless such records and books are material to litigation initiated within that time in which event they shall be maintained until final determination of the controversy), which records and books of account shall include without limitation all agreements and all source documents such as but not limited to original invoices, invoice listings, timekeeping records, and work schedules and shall record all transactions of each Affiliate at, through, or in anywise connected with the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(c) The Lessee shall permit and/or cause to be permitted in ordinary business hours during the term of the letting under this Lease, for one (1) year thereafter, and during such further period as is mentioned in the preceding paragraphs (a) and (b), the examination and audit by the officers, employees and representatives of the Port Authority of all the records and books of account of the Lessee (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents) and all the records and books of account of all Affiliates (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents) (all of the foregoing records and books described in this paragraph (c) being hereinafter collectively referred to as the "Books and Records") within ten (10) days following any request by the Port Authority from time to time and at any time to examine and audit any Books and Records;

(d) The Lessee shall install and use such equipment and devices, including without limitation computerized record keeping systems, for recording orders taken, or services rendered, as may be appropriate to the Lessee's business and necessary or desirable to keep accurate Books and Records, and without limiting the generality of the foregoing, for any activity involving cash sales, install and use cash registers or other electronic cash control equipment that provides for non-resettable totals and shall permit the inspection by the officers, employees and representatives of the Port Authority of any equipment used by the Lessee, including but not limited to the any of the foregoing equipment.

(e) Without implying any limitation on the right of the Port Authority to terminate this Lease, including but not limited to, for breach of any term, condition or provision of paragraphs (a) through (d) above, the Lessee understands that the full reporting and disclosure to the Port Authority of all of the information described in paragraphs (a) through (d) above and provided by the equipment and devices set forth in paragraphs (a) through (d) above and the Lessee's compliance with all the provisions of said paragraphs (a) through (d) are of the utmost importance to the Port

Authority. In the event any Books and Records are maintained outside the Port of New York District or in the event of the failure of the Lessee to comply with all the provisions of paragraphs (a) through (d) above then, in addition to all, and without limiting any other, rights and remedies of the Port Authority under this Lease or otherwise and in addition to all of the Lessee's other obligations under this Lease:

(i) the Port Authority may estimate any amount paid or payable to the Port Authority on any basis that the Port Authority, in its sole discretion, shall deem appropriate, such estimation to be final and binding on the Lessee and the amounts payable to the Port Authority based thereon shall be payable to the Port Authority when billed; and/or

(ii) if any Books and Records are maintained outside of the Port of New York District, then the Port Authority in its sole discretion may (x) require on ten (10) days' notice to the Lessee that any such Books and Records be made available to the Port Authority within the Port of New York District for examination and audit pursuant to paragraph (c) hereof and/or (y) examine and audit any such Books and Records pursuant to paragraph (c) hereof at the location(s) they are maintained and if such Books and Records are maintained within the contiguous United States the Lessee shall pay to the Port Authority when billed all travel costs and related expenses, as determined by the Port Authority, for Port Authority auditors and other representatives, employees and officers in connection with such examination and audit and if such Books and Records are maintained outside the contiguous United States the Lessee shall pay to the Port Authority when billed all costs and expenses of the Port Authority, as determined by the Port Authority, of such examination and audit, including but not limited to, salaries, benefits, travel costs and related expenses, overhead costs, and fees and charges of third party auditors retained by the Port Authority for the purpose of conducting such audit and examination.

(f) Without implying any limitation on the rights or remedies of the Port Authority under this Lease or otherwise including without limitation the right of the Port Authority to terminate the Lease for breach of any term or provision of this Section and in addition thereto, in the event any of the Books and Records are not maintained in English, then the Lessee shall pay to the Port Authority when billed, all costs and expenses of the Port Authority, as determined by the Port Authority, to translate such Books and Records into English.

(g) Without limiting the generality of Section 16 hereof entitled "Additional Rent and Charges", the foregoing auditing costs, expenses and amounts of the Port Authority set forth in paragraphs (e) and (f) above shall be deemed rentals hereunder payable to the Port Authority with the same force and effect as the rentals payable to the Port Authority pursuant to Section 4 hereof entitled "Rental".

Section 70. Off-Premises Roads-No Restriction of Port Authority Right

Neither the provisions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", nor the construction thereunder by the Lessee of the Off-Premises Roads, nor any payment of costs thereof by the Lessee shall prevent or restrict the right of the Port Authority to designate the Off-Premises Roads as part of the Air Terminal Highways, upon the Lessee's completion of the construction thereof, and to make the same available to the general public for general or limited highway use; the Port Authority to make said Off-Premises Roads, after the Lessee's satisfactory completion thereof and acceptance of the same by the Port Authority, as part of the Air Terminal Highways in accordance with and subject to its policy or policies governing or which may govern such matters.

Section 71. Ground Transportation Services

(a) The Lessee shall make available within the Premises at reasonable rental rates, such counter spaces and wall telephone installations at such locations as may be determined by the Port Authority and the Lessee for use by limousine, bus, car rental, taxi and other ground transportation operators at the Airport, all of the foregoing being hereinafter called the "Ground Transportation Operators". The Lessee shall enter into an agreement only with Ground Transportation Operators designated or approved by the Port Authority, covering the occupancy of said counter space, which agreement may provide for the payment of a basic rental (but no other rental, charge or fee of any kind) to the Lessee for the counter space, provided that such basic rental shall represent a fair and reasonable rental for the counter space. The Port Authority shall have the right to, in its agreement with any Ground Transportation Operator, impose obligations on the Ground Transportation Operator with respect to its operation at the counter space, including but not limited to the dissemination of information applicable to said service, and may charge such fees payable to the Port Authority as it may determine.

(b) (1) In lieu of the provisions of paragraph (a) of this Section obligating the Lessee to make available counter spaces and wall telephone installations with respect to limousine, bus and other Ground Transportation Operators at the Airport (but not including car rental operators as to which the provisions of paragraph (a) shall be and continue in full force and effect) the Lessee shall provide to the Port Authority or its contractor, without charge, such counter space at such locations as may be specified by the Port Authority within the Premises as may reasonably be required for use as consolidated ground transportation reservation and information counter (hereinafter called the "Consolidated Counters") to be operated by the Port Authority or its contractors.

(2) The Lessee agrees to provide access to and from the public ways outside the Premises to the Port Authority, its employees and its contractors and the ground transportation patrons and other users of the Consolidated Counters; to permit use of such portions of the public pedestrian circulation areas of the Premises as may reasonably be required for the operation of the Consolidated Counters and the accommodation of the users thereof; and to permit

the installation of such telephone and other communication lines, cables and conduits on and across the Premises as may be required for the operation of the Consolidated Counters. The Lessee acknowledges and agrees that the Consolidated Counters shall at all times be a part of the Premises under this Agreement and subject to all the terms and provisions thereof including, but not limited to indemnity, the payment of rentals, repair and maintenance (it being understood that this shall not be deemed to limit the liability of any independent contractor providing such service). Without limiting or affecting the terms and conditions of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee", the Lessee shall install as part of the Redevelopment Work new Consolidated Counters and shall have the right to refurbish or replace the Consolidated Counters from time to time. The Lessee shall, at its sole cost and expense, supply all utilities necessary for the operation of the Consolidated Counters including but not limited to heat, light, ventilation, air conditioning and electricity on a twenty-four (24) hour, seven (7) day a week basis. The Lessee shall not be required to provide telephone service to the Consolidated Counters hereunder.

(3) The Port Authority shall have the right at any time, without cause, on one hundred eighty (180) days' notice to the Lessee to terminate and discontinue the operation of the Consolidated Counters and from and after the effective date stated in said notice the operation of the Consolidated Counters shall terminate and cease and the provisions of this paragraph (b) shall be null, void and of no further force and effect and the provisions of paragraph (a) of this Section and the Lessee's obligations as set forth therein with respect to limousine, bus, car rental and other Ground Transportation Operators shall be deemed reinstated and in full force and effect.

Section 72. Ground Transportation

(a) The Lessee may arrange for the transportation to and from the Airport of its employees and their baggage (and such employees and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called the "Employee Surface Carrier(s)") of its choice, provided, that such Employee Surface Carrier(s) are at all times Ground Carrier Permittees of the Port Authority as defined in paragraph (b) hereof and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the Gross Receipts received from the ground transportation of employees and their baggage by the Employee Surface Carrier(s) providing such service, or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by the passengers and are directly payable to the taxing authority by the Lessee or by the Employee Surface Carrier(s)) shall be paid to the Port Authority. No fee shall be paid by the Lessee to the Port Authority in connection with the ground transportation of employees and their baggage if the Lessee operates the service itself and if the Lessee makes no charge to its employees and their baggage therefor.

(b) The Port Authority shall endeavor to issue permits to at least twelve (12)

qualified surface carriers (herein called the "Ground Carrier Permittees") which permits shall grant to said Ground Carrier Permittees the privilege of providing a service for the transportation to and from the Airport of employees and their baggage of all Aircraft Operators at the Airport. Each permit shall provide that the Port Authority shall have the right at any time to revoke the permit granted to any Ground Carrier Permittee with or without cause and regardless of whether any such Ground Carrier Permittee is an Employee Surface Carrier(s) of the Lessee and regardless of any agreement between the Lessee and its Employee Surface Carrier(s). Without limiting the foregoing right, if the Ground Carrier Permittee selected by the Lessee shall at any time fail to pay the Port Authority ten percent (10%) or such other percentage of its Gross Receipts as established pursuant to paragraph (e) hereof as required under the permit, the Port Authority shall have the right in addition to all other rights and remedies, to deny such Permittee entrance upon the Airport for the purpose of transporting employees and their baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same. In the event that there should at any time during the term of this Lease be less than twelve (12) Ground Carrier Permittees in operation at the Airport the Lessee shall have the right to engage an Employee Surface Carrier(s) of its choice to provide the service set forth in paragraph (a) hereof, subject, however, to the prior and continuing approval of the Port Authority, and provided that such Employee Surface Carrier(s) agrees to become a permittee of the Port Authority and to pay a percentage of its Gross Receipts to the Port Authority in accordance with paragraphs (a) and (e) hereof and only for so long as such permittee observes and complies with the terms of its permit, it being understood that said Employee Surface Carrier(s) may be restricted to serving the Lessee at the Airport. At such time thereafter as there is in operation at the Airport at least twelve (12) Ground Carrier Permittees, the permit with the said Employee Surface Carrier(s) may be revoked by the Port Authority and the Lessee shall thereupon select an Employee Surface Carrier(s) from the Ground Carrier Permittees of the Port Authority. Nothing contained hereunder shall be deemed to preclude the Port Authority from issuing from time to time during the term of the Lease permits to more than twelve (12) Ground Carrier Permittees. The Permits with the Ground Carrier Permittees may contain privileges other than those set forth in this paragraph (b), including but not limited to the privilege to transport passengers and baggage of Aircraft Operators. All permits shall contain such terms or provisions as the Port Authority may deem from time to time necessary or desirable.

(c) The Port Authority hereby states its intention to attempt to incorporate, into all existing leases and into all new leases with all Scheduled Aircraft Operators covering passenger terminal facilities within the Central Terminal Area, provisions having the same effect as the provisions of paragraphs (a) and (b) of this Section. The provisions of this Section shall be applicable as well to Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or Handling Agreement with any unit terminal lessee or with the Lessee hereunder or with any sublessee thereof (the foregoing not to waive the requirement for Port Authority consent).

(d) The Lessee may arrange for the transportation to and from the Airport of

passengers and their baggage (and such passengers and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called "Passenger Surface Carrier or Carriers") of its choice, subject, however, to the prior and continuing approval of the Port Authority and provided, that such Passenger Surface Carrier or Carriers agree to become Permittees of the Port Authority and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the Gross Receipts received from the ground transportation of passengers and baggage by the Passenger Surface Carrier or Carriers providing such service or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by and are directly payable to the taxing authority by the Lessee or by the Passenger Surface Carrier or Carriers) shall be paid to the Port Authority. If the Passenger Surface Carrier designated by the Lessee shall at any time fail to pay to the Port Authority ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of its Gross Receipts as aforesaid when billed therefor by the Port Authority, the Port Authority shall have the right to deny such carrier entrance upon the Airport for the purpose of transporting passengers and baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same.

(e) It is recognized that the Port Authority has established a five percent (5%) fee with respect to the service covered by paragraphs (a) and (d) hereof in lieu of the ten percent (10%) fee therein stated. It is hereby specifically understood and agreed that the fact that said fee is presently five percent (5%) shall not constitute a waiver by the Port Authority of its right to impose a percentage fee of ten percent (10%) as provided in paragraphs (a) and (d). It is hereby specifically agreed that the Port Authority shall have the right at any time and from time to time during the term of this Lease to revise the percentage fee it shall charge the Employee Surface Carrier(s), other permittees and the Lessee as provided in paragraphs (a) and (d) hereof but in no event shall said fee be greater than ten percent (10%). The Port Authority shall notify the Lessee of any such revision.

(f) The Lessee may arrange for the transportation to and from the Airport of freight and other cargo of the Lessee either directly or by contract with the surface carrier or carriers of its choice. No Permit or fee shall be required of the Lessee or its contractor for the picking up from or the delivery to of freight or other cargo from or to the Lessee. No fee shall be paid to the Port Authority by the Lessee or its contractor for the privilege of transporting freight or cargo of the Lessee on the surface as aforesaid. If such contractor of the Lessee enters into a Lease or other agreement with the Port Authority for space and/or privileges at the Airport, the rent or other compensation payable to the Port Authority shall not be measured by the amount of freight or other cargo of the Lessee transported on the surface by such contractor.

(g) The right of the Lessee to arrange transportation to and from the Airport of its airline passengers as hereinabove provided shall not be construed as being applicable to any establishment or operation by the Lessee of facilities outside the Airport for the handling of airline passengers of the Lessee arriving at or departing from the Airport.

(h) As used in this Section, reference to passengers, baggage, freight or other cargo of the Lessee shall be construed to mean persons, baggage, freight or cargo transported or to be transported on aircraft of the Lessee.

(i) The Ground Carrier Permittee of the Lessee's choice, its Passengers Surface Carrier or Carriers or any other contractor used by it shall not solicit business on the public areas of the Airport and the Lessee shall prohibit any such activity on the Premises or on any other area at the Airport occupied by the Lessee. The use, at any time, either on the Premises or elsewhere on the Airport of hand or standard megaphones, loudspeakers or any electric, electronic or other amplifying devices is hereby expressly prohibited and any advertising or signs shall be subject to continuing Port Authority approval.

(j) Effective as of January 1, 1972, the provisions of this Section superseded the provisions of Section 4.11 of Title IV of the General Airport Agreement and from and after said date said provisions of said Section 4.11 of Title IV were no longer of any force or effect.

Section 73. Ground Transportation Within the Central Terminal Area

(a) The Port Authority has established at Airport a Central Terminal Area generally as described in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 73.1" and hereinafter called "Exhibit 73.1". If at any time and from time to time during the term of the Lease, the Port Authority substantially revises the Central Terminal Area, it shall thereafter forward to the Lessee a revised exhibit showing the revised Central Terminal Area which revised exhibit shall replace Exhibit 73.1 and shall become a part of the Lease.

(b) (1) The Lessee hereby agrees that it will not directly, indirectly or by arrangement with any independent third party, operate any surface vehicles for the transportation of its passengers to or from the Premises and the various other passenger terminal facilities or other locations within the Central Terminal Area. The prohibition hereinabove set forth in this paragraph (b) shall be in effect only during such periods as there is in operation at the Airport a CTA Ground Transportation Service as hereinafter defined to be provided by an independent third party contractor. The "CTA Ground Transportation Service" shall consist of the following: a ground transportation service for the transportation of airline passengers and other persons between the various passenger terminal facilities, including the Premises, within the Central Terminal Area including the service of transporting a group of passengers where the Aircraft Operator must accommodate the group as a whole (hereinafter called the "CTA Omnibus Service") and a ground transportation service for the transportation of passengers of Aircraft Operators within the Central Terminal Area, but only when a passenger is disabled, the passenger must take a direct connection and where time is critical, and in the very limited instance where an Aircraft Operator must accommodate a particular passenger, the foregoing service being hereinafter called the "CTA Supplementary Service". It is understood furthermore that, notwithstanding the prohibition

hereinabove set forth in this paragraph (b), the Lessee may directly, indirectly or by arrangement with an independent third party, operate surface vehicles for the transportation of its passengers to or from the Premises and such passenger terminal facility of the Lessee, if any, located outside the Central Terminal Area, provided, that the Lessee has the prior and continuing approval of the Port Authority to operate such passenger terminal facility outside the Central Terminal Area, that the aforesaid service shall not serve any passenger terminal facility or location within the Central Terminal Area other than the Premises and that if the Lessee utilizes a third party to provide the service, said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its Gross Receipts to the Port Authority with respect to said service as specified in said permit and shall comply with all the terms and conditions of its permit.

(2) Nothing contained in this paragraph (b) or paragraph (c) hereof shall impose or be construed as imposing an obligation on the Port Authority to operate or cause to be operated the CTA Ground Transportation Service for the transportation of passengers and other persons between the various passenger terminal facilities, including the Premises, within the Central Terminal Area.

(c) (1) (i) It is hereby agreed that it is in the best interests of the Port Authority and all Participants as hereinafter defined that the CTA Omnibus Service be a good, proper and efficient service, able to adequately, timely and properly handle the ground transportation needs of airline passengers and other persons between the various passenger terminal facilities including the Premises within the Central Terminal Area. The parties recognize furthermore that the CTA Supplementary Service should be a service that would transport those persons authorized to be carried thereon in an adequate, proper and timely manner so as to meet their flight connections.

(ii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA Omnibus Service and shall, except in case of emergency, give the Participants prior written notice of any substantive changes with respect thereto. Notwithstanding the foregoing, it is hereby understood and agreed that the procedures, schedules, fares, prices, operations and other matters affecting the CTA Omnibus Service shall be determined by the Port Authority.

(iii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA Supplementary Service. Before adopting any initial procedures or schedules covering the operation of the CTA Supplementary Service and before putting into effect any modifications to any procedures or schedules then in effect with respect to the CTA Supplementary Service, except in case of emergency, the Port Authority shall submit the initial or the changed

procedures and schedules (hereinafter called the "Submissions") to the Participants for their approval. If Participants representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all Participants for the calendar year prior to the year in which the Submissions are made to the Participants for their approval, approve the same, the Submissions shall be deemed to be approved for all purposes hereunder and said approval shall be deemed binding as well upon all other Aircraft Operators who may use or pay for the CTA Supplementary Service, notwithstanding the fact that said Submissions had not been submitted to them for their approval. Notwithstanding anything herein provided and without limiting the provisions of paragraph (b) hereof, it is hereby understood and agreed that the Port Authority shall have no obligation hereunder to itself operate the CTA Ground Transportation Service nor any obligation to operate said service through an independent contractor unless and until the Submissions with respect to the CTA Supplementary Service submitted as aforesaid to the Participants have been approved by the Participants in accordance with the foregoing provisions. The failure of any Participant to disapprove the Submissions within twenty (20) days after submission thereof to it for approval shall constitute such Participant's approval hereunder to said Submissions.

(iv) It is hereby understood and agreed that the amount to be charged for the CTA Supplementary Service shall consist of an Initial Price and, if the Port Authority so elects from time to time during the term of the Lease, an Excess Price. The Initial Price shall be based upon the cost of the CTA Supplementary Service. The Lessee shall pay to the Port Authority as and representing the Initial Price its pro rata share of the cost to the Port Authority of providing the CTA Supplementary Service. The Lessee's pro rata share of the cost to the Port Authority of providing the CTA Supplementary Service shall be that proportion of said cost as the number of passengers of the Lessee who actually used the CTA Supplementary Service bears to the total number of passengers using the CTA Supplementary Service. Except as provided in the subparagraph (1)(v)(D) hereof, there will be no charge to the Lessee of either an Initial Price or an Excess Price if the Lessee does not have any passengers using the CTA Supplementary Service.

(v) (A) The Initial Price payable to the Port Authority pursuant to subparagraph (iv) hereof is for each calendar year, but in the event the term of the Lease expires or the provisions covering the CTA Supplementary Service are terminated on a day other than the last day of a calendar year, then in any such event the Initial Price payable to the Port Authority pursuant to subparagraph (iv) hereof shall, for the year during which such event occurs, be for such portion of said year during which the Port Authority provides the CTA Supplementary Service. In determining the Initial Price, the cost of the CTA Supplementary Service shall be computed, determined and ascertained for each calendar year (or portion thereof upon the occurrence of any of the events mentioned in the first sentence hereof) of the term of this Lease.

(B) Notwithstanding the foregoing and for current monthly or other periodical billing purposes as may from time to time be selected by the Port Authority, the

Port Authority shall establish interim billing rates to cover the Initial Price for the CTA Supplementary Service. Such billing rates shall be based on determinations by the Port Authority of its estimate of the cost of the CTA Supplementary Service for the calendar year and the number of passengers to be using the CTA Supplementary Service for said calendar year. Such determinations shall be based upon the prior calendar year's experience, if any, and upon such other reasonable basis as the Port Authority may determine. The Port Authority may prospectively revise its billing rates during any calendar year. On the 20th day of each calendar month the Lessee shall pay to the Port Authority the amount due as the Initial Price for the preceding calendar month, which shall be determined by multiplying the interim billing rate per passenger for the Initial Price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA Supplementary Service for the previous calendar month.

(C) As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA Supplementary Service and the Initial Price payable therefore. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be promptly credited to it.

(D) In the event and only in the event that the CTA Supplementary Service for all or any portion of a calendar year has been provided by the Port Authority but there has been no use thereof by any of the Participants, then the Initial Price and the Excess Price shall be payable by all Participants and each Participant's share shall be based on the number of passengers on its outbound and inbound aircraft at the Airport compared to the total number of passengers on all inbound and outbound aircraft using the Airport of all Participants. The Port Authority agrees that, if as of the commencement of any calendar year there appears to be no use by the Participants of the CTA Supplementary Service, it will use all reasonable efforts to limit its payments to the contractor for the CTA Supplementary Service for such period where there appears to be no use.

(vi) (A) The Port Authority shall have full discretion in awarding a contract for the CTA Ground Transportation Service and may award the same to a contractor who has not proposed the lowest price for the CTA Supplementary Service or the CTA Omnibus Service. As stated in subparagraph (1)(iv) hereof the Port Authority shall have the right to charge the Lessee, in addition to the Initial Price for the CTA Supplementary Service, an additional amount herein called the "Excess Price", which amount shall be applied to offset any deficit in the CTA Omnibus Service.

(B) The amount representing the Excess Price shall be an amount payable only by the Lessee if it uses the CTA Supplementary Service and shall be an amount fixed for each passenger using the CTA Supplementary Service. The Port Authority shall

advise the Participants prior to the beginning of each calendar year of the amount per passenger which shall constitute the Excess Price for said calendar year. On the 20th day of each calendar month during the term of this Lease and on the 20th day of the calendar month immediately following the end of the term of this Lease, the Lessee shall pay to the Port Authority the amount due as the Excess Price for the preceding calendar month, which shall be determined by multiplying the amount per passenger for the Excess Price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA Supplementary Service for the previous calendar month. As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA Omnibus Service for said calendar year. If there is no deficit or if the deficit is less than the amount received by the Port Authority from users of the CTA Omnibus Service, then the total amount of the Excess Price if there is no deficit or the amount of the Excess Price which is over and above any deficit on the CTA Omnibus Service shall be refunded or credited to the Participants based on the portion of each Participant's payments of the Excess Price for said calendar year as compared to the total amount received as the Excess Price from all Participants. In determining whether or not there is a deficit or in determining the amount of the deficit, revenues from the CTA Omnibus Service shall be deemed to be 87.5% of the cost of the CTA Omnibus Service whether or not the revenues actually received add up to 87.5%, but if said revenues exceed 87.5% of the cost, the actual amount of revenues received shall be used.

(vii) The Port Authority shall determine for each calendar year (or portion thereof, where applicable) the cost to the Port Authority of providing the CTA Omnibus Service and the cost to the Port Authority of providing the CTA Supplementary Service. Each such cost shall be determined in accordance with the Port Authority's normal accounting practice and shall consist of those of the following items, which are applicable to each such service:

(A) All payments made by the Port Authority to the independent contractor for providing the CTA Supplementary Service or the CTA Omnibus Service, as the case may be (it being understood that the Port Authority shall not impose any percentage charge or fee on the contractor for such services);

(B) On-the-job payroll costs of Port Authority employees working in any aspect of the CTA Supplementary Service or the CTA Omnibus Service, as the case may be, including but not limited to contributions to any retirement system or the cost of participation in any pension plans or the like, social security, old age, survivors, disability and employment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees;

(C) The cost (including rental charges) to the Port Authority of providing space, equipment, materials, facilities or services to or in connection with the CTA Omnibus Service or the CTA Supplementary Service, as the case may be;

(D) Payments of premiums (or to the extent of self-insurance an amount equivalent to what the premiums would have been) for insurance with respect to the CTA Omnibus Service or the CTA Supplementary Service, as the case may be, including without limitation thereto, fire and extended coverage, workmen's compensation and commercial general liability;

(E) Other direct costs as charged under the Port Authority's normal accounting practice;

(F) With respect to the CTA Omnibus Service, ten percent (10%) of the amounts paid to the contractor providing said service under item (A) hereof and with respect to the CTA Supplementary Service, twenty percent (20%) of the amount paid to the contractor providing said service under item (A) hereof.

(viii) In the event that any specific cost incurred or any specific amount expended for any of the items hereinabove set forth covers both the CTA Omnibus Service and the CTA Supplementary Service, then the Port Authority shall divide and allocate any such cost or amount as between the CTA Omnibus Service and the CTA Supplementary Service in accordance with its normal accounting principles.

(2) (i) If at any time during the term of the Lease the Port Authority receives a written notice from at least two Participants (as hereinafter defined) representing more than thirty percent (30%) of the effective published passenger flight schedules to and from the Airport of all Participants for the calendar year prior to the year during which the notice was given, which notice shall be either (x) to the effect that the service being provided by the contractor furnishing the CTA Ground Transportation Service does not satisfy the standards set forth in item (i) of subparagraph (1) hereof and specifying whether it is the CTA Omnibus Service or the CTA Supplementary Service, or both, which is at fault, and further specifying the nature and extent of the failure or (y) to the effect that the Participants serving the notice are dissatisfied for any reason with the service, the Port Authority shall endeavor in the case of item (x) of this subparagraph (2)(i) to rectify the conditions complained of either by the existing contractor doing so or by engaging a new contractor to provide the CTA Ground Transportation Service or by a combination of both.

(ii) If the Port Authority receives, by a date no earlier than one hundred twenty (120) days and no later than one hundred eighty (180) days after its receipt of either notice covered by subparagraph (2)(A) hereof, a written notice from at least two Participants representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all Participants for the year prior to the year during which the notice is given, which notice is to the effect that the Participants sending the notice continue to be dissatisfied with the CTA Ground Transportation Service whether provided by the old contractor, or if said contractor has been replaced, by the new contractor, then the Port Authority agrees that,

effective no later than sixty (60) days after its receipt of said notice (said date to be established by written notice to the Participants) the provisions of this Section covering the CTA Ground Transportation Service shall be terminated and shall no longer be in effect and from and after said date the Lessee shall have the right directly or by arrangement with an independent third party to operate surface vehicles for the transportation of its passengers to and from the Premises and the various other passenger terminal facilities or other locations within the Central Terminal Area, provided, however, that the same shall be used exclusively for the transportation of the Lessee's disabled passengers, passengers who must make a direct connection and where time is critical, in the very limited instances where the Lessee must accommodate particular passengers, and for the transportation of passengers traveling as a group where the Lessee must accommodate the group as a whole, it being understood that the foregoing limitation on the right of the Lessee shall be in effect only during such periods as there is in operation at the Airport a CTA Omnibus Service as defined in paragraph (b) hereof (the Port Authority having no obligation so to do), excluding the transportation of passengers traveling as a group, and provided, however, that if the Lessee utilizes a third party to provide said service, that said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its Gross Receipts to the Port Authority with respect to its service as specified in said permit and shall comply with all the terms and conditions of its permit.

(d) (1) The Port Authority hereby states its intention to attempt to incorporate into all new leases and into all existing leases which may not already include the same with all Persons covering passenger terminal facilities within the Central Terminal Area provisions having the same effect as the provisions of this Section. The term "Participants" shall mean all Persons (including for the purposes hereof, the Lessee) who have executed leases with the Port Authority covering passenger terminal facilities within the Central Terminal Area and containing provisions having the same effect as the provisions of this Section

(2) All Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or Handling Agreement with any Participant (including the Lessee hereunder) shall be obligated to comply with all obligations of this Section which are applicable to the Participants, but said Aircraft Operators shall not be or be deemed to be Participants within the meaning of subparagraph (1) of this paragraph (d), but their activities, operations and payments hereunder shall be deemed to be those of the Participants whose space they are using.

(e) The agreement by the Lessee under paragraph (b) hereof as well as the agreement by the Lessee under paragraph (c)(2) hereof, in the event the provisions covering the CTA Ground Transportation Service are terminated and are no longer in effect, are of the essence of this Section and the Lessee agrees that the Port Authority shall be entitled to a decree against the Lessee requiring the specific performance thereof in any court of equity having jurisdiction. The aforesaid remedy which may be available to the Port Authority hereunder in the event the Lessee

breaches its agreement.

Section 74. Federal Inspection

The Lessee has advised the Port Authority that it intends to make available to the United States a portion or portions of the Premises for Federal Inspection Facilities, if the United States will accept and use the same. The Port Authority shall have no obligation or responsibility of any kind with respect to the foregoing or the arrangements that must be made by the Lessee with the United States and any agencies thereof having jurisdiction.

Section 75. Helicopter Operations

The Lessee hereby acknowledges that the Lease does not grant to it any right and the Lessee does not have any right to use or permit the use of any portion of the Premises for the landing or taking off of helicopters, rotary wing, tilt rotor or other similar aircraft. In the event that the Port Authority determines that approval for such use will be given at any time hereafter, the same shall be granted only in accordance with such terms and conditions, including but not limited to fees, charges and rights of user, as the Port Authority may set forth in a supplement to the Lease, which is duly executed by the Lessee and the Port Authority.

Section 76. Itinerant Aircraft

(a) The Port Authority hereby grants to the Lessee the privilege of permitting the occasional use of the Premises by air taxi, corporate and private aircraft (sometimes hereinafter called the "Itinerant Aircraft") for the sole purpose of discharging or picking up passengers, business guests and other invitees of the Lessee. All operations of such Itinerant Aircraft shall be in compliance with all the terms and provisions of the Lease and with the Rules and Regulations of the Port Authority. The Lessee shall be completely responsible for all acts and omissions of said Itinerant Aircraft as if said acts and omissions were the acts or omissions of the Lessee.

(b) The Port Authority shall have the right to cancel the privilege granted to the Lessee as set forth in paragraph (a) hereof in whole or in part or with respect to any particular Itinerant Aircraft at any time and from time to time and without cause upon thirty (30) days' written notice to the Lessee, and upon the effective date of such notice the Lessee shall no longer have the right to permit all or any specific Itinerant Aircraft as specified in the notice to use the Premises as hereinabove provided, but the same shall not affect the Lease or any of the terms, rentals, fees, provisions or agreements hereof, all of which shall continue in full force and effect.

Section 77. Observation Deck

It is hereby agreed and understood that the Lessee is prohibited from providing or

operating, either by itself or through a third Person, an observation deck on the Premises.

Section 78. In-Flight Meals

(a) In the event Section 8.04 of Title VIII of the General Airport Agreement, shall expire or be canceled or deleted or for any other reason shall be of no further force or effect then the following paragraphs (1), (2) and (3) shall be deemed to apply hereunder and be a part hereof:

(1) If the Lessee desires to prepare, for its exclusive use, In-Flight Meals for consumption by passengers and crew on board aircraft operated by the Lessee and to deliver such In-Flight Meals to such aircraft it shall have the right to do so, individually or through a contractor of its own choice (which contractor shall not be another Person engaged in the business of transportation by aircraft). If the Lessee does so directly, it shall do so only on space located outside the Central Terminal Area. The foregoing, however, shall create no obligation on the part of the Port Authority to provide such space and shall in no way be deemed a commitment by the Port Authority that any such space shall be available. If the Lessee chooses to use an independent contractor, such contractor shall be a regular "In-Flight Meal Operator" by which is meant an operator authorized by the Port Authority to provide In-Flight Meals to Aircraft Operators at the Airport unless, in the opinion of the Lessee, all regular In-Flight Meal Operators are unsatisfactory to the Lessee, in which case the Lessee may employ any other contractor (other than another Person engaged in the business of transportation by aircraft), satisfactory to the Port Authority, who will accept a permit from the Port Authority on the same terms and conditions including the same rates, fees or charges as imposed upon and required of the Port Authority's In-Flight Meal Operators.

(2) The Lessee shall have the further right, either directly or through an independent contractor of its choice, satisfactory to the Port Authority, or by arrangements, jointly with one or more other users at the Airport, to employ a contractor, satisfactory to the Port Authority, to prepare outside the Airport and to deliver at the Airport to aircraft operated by the Lessee, In-Flight Meals for consumption by passengers and crew on board such aircraft, provided, however, that if the Lessee employs a contractor either alone, or, by arrangement, jointly with one or more other users at the Airport for the preparation, outside the Airport, of In-Flight Meals, then the Lessee shall cause such contractor to pay to the Port Authority the rate or rates which would be payable to the Port Authority by a regular Port Authority In-Flight Meal Operator for the off-Airport preparation or delivery, or both, of such In-Flight Meals to aircraft for consumption by passengers and crews on board such aircraft.

(3) (i) The Lessee has advised that it may use more than one independent contractor to furnish its In-Flight Meals at the Airport but may not wish to have all of said contractors become permittees of the Port Authority under permits which require, as aforesaid, the permittees to pay fees at the rates imposed on the Port Authority's In-Flight Meal Operators

upon Gross Receipts based on amounts the Lessee pays said contractors.

(ii) Should the Lessee elect not to have all its independent contractors be Port Authority permittees as aforesaid, it shall serve a written notice on the Port Authority to such effect which notice shall state that it elects the method of additional payment as hereinafter set forth and thereupon the Port Authority shall consent thereto provided that, in addition to all other amounts payable to the Port Authority under subparagraphs (1) and (2) above, the Lessee shall pay and the Lessee hereby agrees to pay to the Port Authority an amount determined by applying the rates referred to in subparagraph (3)(i) above to the amounts payable by the Lessee to said independent contractors for its In-Flight Meals or any part thereof delivered to the Lessee's aircraft at the Airport (whether such delivery be by said independent contractor, the Lessee or another). The foregoing payments by the Lessee shall be made monthly on the twentieth (20th) day of the month commencing with the first (1st) month immediately following the Lessee's notice and continuing each month thereafter up to and including the twentieth (20th) day of the month following the expiration date hereof. The Lessee at anytime on at least thirty (30) days' prior written notice to the Port Authority may change from its selection above and the Lessee may at any time advise the Port Authority that this subparagraph (3) no longer applies to it based upon its representation, that it then shall make, that all payments made by it for In-Flight Meals shall be made to its contractors who are permittees of the Port Authority as In-Flight Meal Operators.

(iii) It is hereby expressly recognized that the procedures allowed under this subparagraph (3) are not included within the contemplation of the provisions of subparagraphs 3(1) and (2) above and that the inclusion of the same within this paragraph (a)(3) shall not constitute or be deemed to constitute any concession or agreement by the Port Authority that said procedures are not in violation of subparagraphs 3(i) and (ii) hereof.

(b) (1) The Lessee acknowledges and agrees, with respect to any In-Flight Meals prepared and delivered on the Airport pursuant to Section 8.04 of Title VIII of the General Airport Agreement, that it may use more than one independent contractor to furnish its In-Flight Meals at the Airport but may not wish to have all of said contractors become permittees of the Port Authority under permits which require the permittees to pay fees at the rates imposed on the Port Authority's In-Flight Meal Operators upon Gross Receipts based on amounts the Lessee pays said contractors, nor shall the same limit or be deemed to limit the provisions of said Section 8.04.

(2) Should the Lessee elect not to have all its independent contractors be Port Authority permittees as aforesaid, it shall serve a written notice on the Port Authority to such effect which notice shall state that it elects the method of additional payment as hereinafter set forth and thereupon the Port Authority shall consent thereto provided that, in addition to all other amounts payable to the Port Authority, the Lessee shall pay and the Lessee hereby agrees to pay to the Port Authority an amount determined by applying the rates referred to in subparagraph (1) above to the amounts payable by the Lessee to said independent contractors for its In-Flight Meals

or any part thereof delivered to the Lessee's aircraft at the Airport (whether such delivery be by said independent contractor, the Lessee or another). The foregoing payments by the Lessee shall be made monthly on the twentieth (20th) day of the month commencing with the first month immediately following the Lessee's notice and continuing each month thereafter up to and including the twentieth (20th) day of the month following the expiration date of the term of the letting hereunder. The Lessee at any time on at least thirty (30) days' prior written notice to the Port Authority may change from its selection above and the Lessee may at any time advise the Port Authority that this paragraph (b) no longer applies to it based upon its representation, that it then shall make, that all payments made by it for In-Flight Meals shall be made to its contractors who are permittees of the Port Authority as In-Flight Meal Operators.

(3) It is hereby expressly recognized that the procedures allowed under this paragraph (b) are not included within the contemplation of the provisions of Section 8.04 of Title VIII of the General Airport Agreement and that the inclusion of the same within this paragraph (b) shall not constitute or be deemed to constitute any concession or agreement by the Port Authority that said procedures are not in violation of said Section 8.04 of Title VIII of the General Airport Agreement, nor shall the same limit or be deemed to limit the provisions of said Section 8.04.

Section 79. Consumer Services

(a) The Lessee shall use its best efforts to develop and operate at the Premises a premier world-class retail program that will support and advance the role of the Premises in providing a convenient and comfortable arrival to and departure from the Airport, consistent with the image and status of New York City as a foremost domestic gateway and America's foremost international gateway. The Lessee's retail program shall embody the Lessee's full commitment to quality, value and customer service, evidence operations in accordance with the best industry practices, evidence compliance with the Port Authority's maximum standards with regard to service, health, sanitation and safety, and evidence Lessee's full commitment to the maximum financial return to the Lessee and the Port Authority. A "premier world-class" retail program is one that consistently scores within the top ten percent (10%) of industry-recognized surveys, including without limitation the International Airline Transport Association (IATA) Airport Monitor and Port Authority-sponsored surveys, which contain evaluations or ratings of passenger terminal retail programs, or specific components thereof, of the same type or class.

(b) (1) The Lessee acknowledges that various portions of the Premises will be utilized for consumer services and said portions which receive the concurrence of the Lessee and the Port Authority, as hereinafter provided, are herein referred to as the "Concession Areas". Without limiting the provisions of Section 68 hereof entitled "The Lessee's Ongoing Affirmative Action, Equal Opportunity and Local Business Enterprises Commitment", the Lessee shall develop and submit to the Port Authority within ninety (90) days of the Effective Date for its approval a

comprehensive plan for consumer services, setting forth, *inter alia:* (1) the types of concessions to be placed there and the number of each type and size, designated location, and configuration of each concession, as well as the overall plan of the portions of the Premises designated for retail operations; (2) the minimum rentals required for each type of concession; (3) the structure and level of any common area maintenance fees, marketing fees, delivery fees, and utility recoveries (to the extent permitted) to be charged to the retail sublessees; (4) the Lessee's plans to provide retail opportunities for Minority Business Enterprises and Women-owned Business Enterprises (as defined in Schedule E hereto); (5) the Lessee's quality and service standards and required hours of operation; (6) the Lessee's specific plans to monitor and enforce its "Street Pricing" policy (defined in paragraph (f)(1) of this Section), quality and service standards and required hours of operation; (7) any other basic business terms including, but not limited to, any mandatory investment and refurbishing requirements; and (8) such other information as the Port Authority may deem appropriate to its review and determination if it will approve the proposed plan. The types of concessions to be placed in the Concession Areas shall include those set forth in Sections 80 through 86 hereof, and the Lessee agrees that it will at all times throughout the term of the letting hereunder keep said comprehensive plan updated and that said updated plan shall be submitted to and be subject to the continuing approval of the Port Authority. Attached hereto as "Exhibit 79.1" and incorporated by reference herein is a location plan and list of retail tenants at the premises as of the Effective Date, prepared by or on behalf of the Lessee. The Port Authority shall furnish to the Lessee guidelines to be utilized by the Lessee with respect to all matters affecting consumer services in the Concession Areas including the aforesaid Lessee's comprehensive plan. The Lessee agrees to meet and consult with the Port Authority, and provide representatives to meet and consult with the Port Authority and representatives of other airlines operating at the Airport, when requested to do so in order to discuss the Lessee's performance in meeting the standards required by paragraph (a) of this Section and its implementation of the Port Authority guidelines on matters affecting consumer services in the Concession Areas.

(2) The comprehensive plan shall be subject to the approval of the Port Authority, as provided in this Section. The Lessee shall submit to the Port Authority for its written approval at annual intervals, on each anniversary of the Effective Date, during the term of the letting hereunder (or more frequently if desired by the Lessee or if reasonably requested by the Port Authority) a revised comprehensive consumer services plan, which shall contain the items of information enumerated in subparagraph (1) above. The Port Authority shall, after its receipt of a proposed revised comprehensive plan, advise the Lessee in writing of the Port Authority's approval, conditional approval or disapproval. In the event of disapproval or conditional approval, the reasons therefor shall be stated, and the Lessee may thereafter submit for Port Authority approval an appropriately modified proposed revised comprehensive plan. Unless and until a revised comprehensive plan shall have been approved by the Port Authority in the foregoing manner, the comprehensive plan previously approved and then in effect shall continue in effect.

(c) (1) After approval by the Port Authority of the Lessee's comprehensive

plan for consumer services the Lessee shall procure operators and agreements for such services. As hereinafter provided the Lessee will be entering into a direct contract with each new operator but said operator must also enter into an appropriate agreement with the Port Authority. The Lessee shall not finalize negotiations with any operator until it has received notification from the Port Authority that said arrangement is acceptable to the Port Authority and any agreement with any proposed operator the Lessee executes shall not be effective until said operator has entered into the appropriate contractual agreement with the Port Authority, in form and substance satisfactory to the Port Authority in its sole discretion. The Port Authority's approval of a comprehensive plan, or modifications thereto, shall in no way diminish the applicability of this subparagraph (1). The effectiveness of the Lessee's agreement with said proposed operator shall be subject to the Port Authority's prior written consent, as contained in the aforesaid appropriate contractual agreement, and the Lessee's agreement shall state the same. The foregoing procedure will be followed throughout the term of the letting hereunder. It is expressly understood and agreed that the provisions of this Section shall not limit or be deemed to limit the provisions of Section 68 hereof and the Lessee's on-going affirmative action commitment with respect to the consumer services awards and agreements provided for herein.

(d) (1) The Port Authority hereby reserves exclusively to itself and its designees the right on the Premises to implement, conduct, control and receive any rents, fees or profits with respect to any of the following uses, operations or installations (collectively, the "Reserved Uses"):

(i) advertising, provided that the Lessee shall retain the right to control the placement of the particular advertising within the Premises and the right to reject any proposed advertising at the Premises,

(ii) pay telephones, pre-paid phone cards, facsimile transmission machines and other public communications services, provided that the Lessee shall retain the right to control the placement of telephones, phone banks, phone kiosks, facsimile transmission machines and other public communications services (e.g., internet kiosks) within the Premises, and the right to deny the placement of any particular pay phone facility, facsimile transmission machine or public communications service.

(iii) vending machines dispensing anything including, but not limited to, catalog and electronic sales (except in non-public areas of the Premises for products then permitted to be sold on the Premises under agreements or subleases approved by the Port Authority as required under this Lease), provided that the Lessee shall retain the right to control the placement of vending machines within the Premises and the right to reject any vending machine at the Premises,

(iv) ground transportation (including vehicle rentals) reservations,

as provided in Section 71 entitled "Ground Transportation Services" hereof. and

(v) provision of on-airport baggage carts (other than shopping carts made available free of charge to retail shoppers with the Concession Areas) or other on-airport baggage-moving devices, provided that the Lessee shall retain the right to control the placement of baggage cart stations within the Premises and the right to reject any on-airport baggage carts at the Premises.

If and when the Port Authority elects to share with the other unit terminal operators at the Airport the revenues from the activities set forth in items (iv) and (v) of this paragraph(d)(1), the Port Authority shall likewise share such revenues with the Lessee.

(2) The Port Authority (and any party specifically authorized thereby) may engage in the Reserved Uses and install, operate, maintain and repair the property used in connection therewith, in such locations as may be determined by the Lessee. The Lessee, at its expense, shall provide the necessary wires and conduits for the supply of electricity and telephone and other communications interconnections for the Reserved Uses.

(3) The Port Authority shall remit to the Lessee, out of the fees or rents actually collected by the Port Authority from third party operators pursuant to agreements for items (i), (ii) and (iii) of subparagraph (1) above, such fees or rents in the following percentages: item (i), fifty percent (50%) to the Lessee; item (ii), eighty percent (80%) to the Lessee; and item (iii), eighty percent (80%) to the Lessee. The balance of all such fees or rents shall be retained by the Port Authority. Except as specifically provided in the foregoing sentence, the Port Authority shall have the right to all revenues derived from the Reserved Uses without compensating the Lessee in any manner on account of such uses or revenues.

(e) Except to the extent modified by and in accordance with an effective comprehensive consumer services plan, the Lessee shall require in its consumer services subleases the following with respect to hours and days of operation:

(1) Retail food and beverage service shall be made available to the public at one or more locations continuously each day during the hours commencing no later than one hour prior to the first scheduled aircraft departure from the Premises and continuing until at least the completion of boarding for the last actual departure from the Premises of a flight therefrom the same day. At least fifty percent (50%) of the concessions in any food service area at any one time shall operate continuously throughout the hours specified above.

(2) Commencing no later than one hour prior to the first scheduled aircraft departure at the Premises each day and continuing until at least the last actual departure at the Premises of a flight for departure thereat the same day, at least one retail newsstand shall be

continuously open for business and at least one area accessible to "meeters and greeters" shall be open.

(3) Certain foreign currency exchange services, through a staffed location or an automated currency exchange machine, shall be continuously provided to the public in the Foreign Inspection Services area and at least one other central location in the Premises during the hours commencing no later than one hour prior to the first scheduled aircraft departure from the Premises and continuing at least until the later of (1) the completion of boarding for the last actual departure from the Premises of a flight scheduled for departure therefrom the same day and (2) one hour after the last actual arrival at the Premises of a flight scheduled for arrival thereat the same day.

(4) In each arrival area and one other central location in the Premises, there shall be at least one automated teller machine fully operational and accessible to the public twenty-four (24) hours a day with cash in quantities sufficient to meet reasonably anticipated demand and providing access to at least one of the two largest banking networks available in the Port of New York District.

(5) In any instance in which no minimum hours have been set forth above and as to all other retail sublessees, the retail sublessees shall be required to be open for business and operate their respective businesses as provided in the comprehensive consumer services plan.

(6) The Lessee shall require all retail sublessees to operate their respective businesses so as to maximize their revenues in accordance with best industry practices and standards observed generally by first-class business enterprises of regional or national scope which operate at other major airports.

(f) (1) Each consumer service sublease shall provide that the sublessee in its operations pursuant to its sublease shall not charge prices to its customers in excess of "Street Prices", defined as follows:

(i) If the retail sublessee conducts a similar business in off-airport location(s) in the Greater New York City-Northeren New Jersey Metropolitan Area (the "Metro Area"), "Street Prices" shall mean the price regularly charged by the retail sublessee for the same or similar item in the Metro Area;

(ii) If the retail sublessee does not conduct a similar business in off-airport location(s) in the Metro Area, "Street Prices" shall mean the average price regularly charged in the Metro Area by similar retailers for the same or similar item;

(iii) If neither the retail sublessee nor other similar retailers sell a particular item in the Metro Area, "Street Prices" shall mean the price regularly charged by the retail sublessee or similar retailers for the same or similar item in any other geographic area with a reasonable adjustment for any cost-of-living variance between such area and the Metro Area; and

(iv) If a retail sublessee is in the business of selling duty-free goods, "Street Prices" shall mean the price regularly charged by the sublessee or other similar retailer for the same or similar duty-free item at other major airports serving large urban areas in the Northeast region of the United States, including but not limited to the Airport.

(2) Notices in form and substance reasonably satisfactory to the Port Authority shall be conspicuously displayed in each retail sublessee's space to the effect that the retail sublessee adheres to the foregoing "Street Pricing" policy.

(g) (1) Each consumer service sublease, and each Port Authority agreement with a concessionaire, shall also provide, that the retail sublessee shall:

(i) use its best efforts in every proper manner to develop and increase the business conducted by it under the sublease;

(ii) not divert, or cause or allow to be diverted, any business from the Premises or the Airport;

(iii) maintain, in English and accordance with accepted accounting practice, during the term of the subletting under the sublease and for one (1) year after the expiration or earlier termination or surrender thereof, and for a further period extending until receipt of written permission from the Port Authority to do otherwise, full and complete records and books of account recording all transactions of the sublessee at, through, or in any way connected with its operations at the Premises or elsewhere at the Airport, and outside the Airport if the order therefor is received at the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(iv) the sublessee shall cause any of its which performs services similar to those performed by the sublessee to maintain, in English and accordance with accepted accounting practice, during the term of the subletting under the sublease and for one (1) year after the expiration or earlier termination or surrender thereof, and for a further period extending until the sublessee shall receive written permission from the Port Authority

to do otherwise, full and complete records and books of account recording all transactions of each such Affiliate at, through, or in any way connected with its operations at the Premises or elsewhere at the Airport, and outside the Airport if the order therefor is received at the Airport, which records and books of account shall be kept at all times within the Port of New York District and shall separately state and identify each activity performed at the Airport and off the Airport if the order therefor is received at the Airport;

(v) permit and/or cause to be permitted in ordinary business hours during the term of the subletting under the sublease and for one (1) year thereafter, and during such further period as is mentioned in the preceding subparagraphs (1)(iii) and (1)(iv), the examination and audit by the officers, employees and representatives of both the Port Authority and those of the Lessee of such records and books of account and also any records and books of account of any Affiliate if said Affiliate performs services similar to those performed by the sublessee anywhere in the Port of New York District (including without limitation all corporate records and books of account which the Port Authority in its sole discretion believes may be relevant for the identification, determination or calculation of all fees, rentals and other amounts paid or payable to the Port Authority, all agreements, and all source documents), within ten (10) days following any request by the Port Authority from time to time and at any time to examine and audit said books and records;

(vi) install and use such cash registers, sales slips, invoicing machines and any other equipment and devices, including without limitation computerized record-keeping systems, for recording orders taken, or services rendered, as may be appropriate to the sublessee's business and necessary or desirable to keep accurate books and records as aforesaid, and without limiting the generality of the foregoing, for any activity involving cash sales, install and use cash registers or other electronic cash control equipment that provides for non-resettable totals;

(vii) permit the inspection by the officers, employees and representatives of the Port Authority and those of the Lessee of any equipment used by the sublessee including, but not limited to, any of the equipment described in subparagraph (1)(vi) above; and

(viii) furnish good, prompt and efficient service hereunder, adequate to meet all demands therefor at the Premises; furnish said service on a fair, equal and non-discriminatory basis to all users thereof; and charge fair, reasonable and non-discriminatory prices for each unit of sale or service, provided, however, that the retail sublessee may make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

(2) Without implying any limitation on the right of the Port Authority to

revoke its agreement with a concessionaire, in the event of the failure of the concessionaire to maintain, keep within the Port District or make available for examination and audit the required books and records in the manner and at the times or location as provided in paragraph (g)(1) above then, in addition to all and without limiting any other rights and remedies of the Port Authority, the Port Authority may:

(i) Estimate the gross receipts of the concessionaire on any basis that the Port Authority, in its sole discretion, shall deem appropriate, such estimation to be final and binding on the concessionaire and the concessionaire's fees based thereon to be payable to the Port Authority when billed; or

(ii) If any such books and records have been maintained outside of the Port District, but within the Continental United States then the Port Authority in its sole discretion may (A) require such books and records to be produced within the Port District or (B) examine such books and records at the location at which they have been maintained and in such event the concessionaire shall pay to the Port Authority when billed all travel costs and related expenses, as determined by the Port Authority for Port Authority auditors and other representatives, employees and officers in connection with such examination and audit, or

(iii) If any such books and records have been maintained outside the continental United States then, in addition to the costs specified in subparagraph (2)(ii) above, the concessionaire shall pay to the Port Authority when billed all other costs of the examination and audit of such books and records including without limitation salaries, benefits, travel costs and related expenses, overhead costs and fees and charges of third party auditors retained by the Port Authority for the purpose of conducting such audit and examination.

(3) The foregoing auditing costs, expenses and amounts set forth in subparagraphs (2)(ii) and (2)(iii) of this paragraph (g) shall be deemed fees and charges under the Port Authority's agreement with the concessionaire payable to the Port Authority with the same force and effect as all other fees and charges thereunder.

(h) (1) The Lessee shall employ or retain a full time trained professional staff at all times during the term of the letting hereunder of sufficient size, expertise, ability, suitability and experience to carry out its responsibilities under this Section.

(2) In addition, throughout the term of the letting hereunder, the Lessee may request Port Authority approval to employ at the Premises, at Lessee's sole cost and expense, on a full-time basis a retail asset manager, or may retain on a full-time basis the Lessee's retail developer which is operating as of the Effective Date, for its concessions program at the Premises

(such asset manager or developer being hereinafter referred to as a "Retail Manager"), subject in all respects to the terms and conditions of this Section. Any fee or other compensation to be paid to said Retail Manager shall be paid by the Lessee directly or out of the Lessee's share of revenue from consumer services, and no portion of such fee or compensation shall be paid out of the Port Authority's share of revenue from consumer services or shall offset, reduce, be credited against or otherwise adversely affect the amount of any fees, rent or other revenue to be paid or payable to the Port Authority hereunder or to which the Port Authority may be otherwise entitled. Notwithstanding the generality of the foregoing sentence, this Lease shall not effect or require a modification of the terms and conditions of the agreement between the Lessee and the Retail Manager operating at the Premises as of the Effective Date, provided, however, that the management fee to be paid to such existing Retail Manager and the other terms and conditions of such existing agreement shall terminate no later than February 28, 2006 and it is agreed that no portion of a management fee after said date shall be subsidized by, contributed to or otherwise financed by the Port Authority.

The Lessee shall not finalize negotiations with any Retail Manager until it has received notification from the Port Authority that said arrangement is acceptable to the Port Authority and shall not execute any agreement with any proposed Retail Manager until said Retail Manager has entered into the appropriate contractual agreement with the Port Authority, in form and substance satisfactory to the Port Authority in its sole discretion, which grants consent and approval to such Retail Manager. Any such agreement between the Lessee and a proposed Retail Manager shall state among other things, and the Lessee agrees, that:

(i) said agreement is subject and subordinate to this Lease (as the same may be amended, supplemented or extended);

(ii) said agreement shall not take effect without the prior written consent of the Port Authority thereto to be embodied in the contractual agreement referred to above (executed by and among the Port Authority, the Lessee and the Retail Manager);

(iii) any amendment, supplement or extension of the said agreement which does not have the express written approval of the Port Authority shall be void *ab initio* and of no effect whatsoever; that if this Lease is terminated on any account prior to the expiration of the term of the said agreement then the said agreement shall terminate simultaneously with such termination of this Lease unless the Port Authority shall notify the Retail Manager and the Lessee at or prior to such effective date of termination of this Lease that the Port Authority shall and does assume the rights and obligations of the Lessee thereunder from and after such effective date of termination, it being understood that the Port Authority shall have the right, but not the obligation, to be assigned and to assume the Lessee's rights and obligations under the Retail Manager agreement and, further, it being understood that the Port Authority shall have no obligation to enter into any form of recognition agreement with any concessionaire;

(iv) the Port Authority shall have the right to revoke its consent, or terminate any agreement containing its consent, to the Retail Manager agreement at any time without cause on thirty (30) days' prior notice and such revocation or termination shall not require the concurrence of the Lessee;

(v) all fees and rent collected by the Retail Manager shall be held by it in a fiduciary capacity, in a separate trust account and not co-mingled with other funds of the Retail Manager, solely for such purpose and thereafter remitted by the Retail Manager on a monthly basis directly to each of the Port Authority and the Lessee (it being understood that the Retail Manager's interest is a possessory and not an equitable interest), and the amount of payments collected or to be collected from the concessionaires shall be based on fees and rent paid or payable by the concessionaires at the Premises without deduction, credit or offset for arrearages;

(vi) in the event of any inconsistency between the Retail Manager agreement and this Lease, or between any retail sublease or retail license (the terms retail "sublease" and retail "license", and retail "sublessee", "licensee" and "concessionaire", being used interchangeably for purposes of this Section) and this Lease, or between the Retail Manager agreement and the agreement containing the Port Authority consent thereto, or between a retail sublease and the agreement containing the Port Authority consent thereto, then in each and every such instance the Lease or the Port Authority consent agreement, as the case may be, shall supercede and control.

Any and all monthly and annual reports which set forth Gross Receipts (as defined herein, it being understood that the term Operator in such definition shall mean retail sublessee, licensee or concessionaire for purposes of this Section), in the aggregate and on a concessionaire-by-concessionaire basis, shall be provided simultaneously directly to each of the Port Authority and the Lessee. The Lessee shall provide, or shall cause to be provided, to the Port Authority the following: (1) on or before the twentieth (20th) day of each month following the commencement date of any retail sublease a statement, certified by an authorized officer of the sublessee, of gross receipts arising out of operations of the sublessee under such retail sublease for the preceding month, and (2) on or before April 15 of each calendar year during the sublease term a statement of gross receipts arising out of the operations of the sublessee for the preceding year certified, at the sublessee's sole expense, by a certified public accountant.

(3) Any Retail Manager shall have sufficient authority and support, staff and appropriate equipment, supplies and means to manage and administer those retail subleases and other agreements with the retail sublessees and other entities to which the Lessee is a party, or by which it is bound, relating to the retail program at the Premises, to monitor and compel performance by all retail sublessees and other entities and to serve as on-site liaison with the Port Authority.

Said Retail Manager shall have the power and authority on behalf of the Lessee to resolve all operational issues concerning the retail program at the Premises but shall have no power or authority to amend or modify this Lease or any agreement embodying a Port Authority consent. In all events, an employee of the Lessee with managerial authority shall be available for a minimum time span of sixteen (16) hours each day during concession operation hours to meet with Port Authority representatives in person at the Premises and available at other times by telephone, with the ability in an emergency situation relating to retail concession matters to arrive at the Airport by car within two hours after being called.

(4) Neither a Retail Manager nor any Affiliate thereof shall conduct or have any interest whatsoever in any entity conducting a consumer service operation in any Concession Area, unless the Port Authority has explicitly approved in writing specific exceptions after having been furnished such information as it may require and subject to such qualifications, conditions, limitations and restrictions as part of any such approval.

(5) The Lessee shall not knowingly either employ or permit the employment of any management, supervisory or other personnel of the Lessee (including but not limited to such Retail Manager or any contractor or subcontractor, representative or agent of the Lessee), whose employment constitutes a conflict of interest or whose actions are inconsistent with the highest level of honesty, ethical conduct or public trust or are adverse to the public interest. Notwithstanding the foregoing, the Lessee shall be under no obligation to refrain from hiring any person if to do so would be a violation of law, or to terminate any person if to do so would be a violation of law or of any applicable right of such person, contractual or otherwise.

(i) On a continuing basis through the end of the term of the letting hereunder, the Lessee shall undertake and execute through a variety of media, in a manner acceptable to the Port Authority, such advertising and promotional programs as shall bring to the attention of the public, generally, and actual and potential enplaning passengers and their escorts and guests and the aviation and tourist industries, in particular, the positive features of the retailing program managed by the Lessee as provided in this Lease and such other information to be presented in such style and format as shall project, consistent with the truth, a desirable image of such retailing program, the Premises and the Airport. The Port Authority shall not have any responsibility for, and shall not bear any of the costs of, the foregoing.

(j) Without limiting the generality of the provisions of Sections 80 through 87 herein, the following shall apply with respect to each of the concessions described in said Sections:

(1) The Lessee agrees that it will furnish to the concessionaire sufficient and suitable space within the Premises to carry on any operation as may be required of or desired by the Lessee.

(2) The Lessee shall bring to the perimeter of the space to be occupied by the concessionaire, and shall install, the necessary pipes, wires and conduits (including to any food service area), for the supply of electricity and HVAC for such operations (including but not limited to electricity to machines and displays with respect to permitted vending machines, public telephones, advertising displays and insurance counters), all without charge to the concessionaire or the Port Authority, except for electricity to the Restaurant Operator (as herein defined) which may be charged at cost. With respect to any Restaurant Operator, the Lessee shall also provide and install pipes, wires and conduits for the supply of gas and water together with necessary steam and waste lines for use in connection with the operation. The Lessee shall supply said utilities and services to the concessionaire, including to any storage areas provided to the concessionaire as required herein, and shall not charge the concessionaire or the Port Authority for any portion of same (except electricity to the Restaurant Operator as aforesaid).

(3) Any agreement with a concessionaire shall provide that such concessionaire shall furnish at its expense all necessary fixtures, equipment, furniture and personal property required in connection with the operation and all construction work necessary to accommodate such installations. With respect to in-line spaces, the agreement shall also provide that the concessionaire will perform all work necessary or required to finish off the space, including the finishing of the floors and ceilings from the structural slab and the walls from the rough partitions, the decor and color scheme of the concession area and the facilities and fixtures therein as well as the location of fixtures thereon, which shall be subject to the approval of the Lessee and compliance with the Port Authority Tenant Construction or Alteration Application process.

(4) If the Lessee desires to have a person or entity conduct such operations other than the Port Authority's proposed concessionaire, except for goods and services described in Section 81 or any which would constitute Reserved Uses, the Lessee may employ any other Person of its choice (which other Person may not be the Lessee or an Affiliate thereof) to do so, provided, however, such other Person first obtains a permit from the Port Authority authorizing such Person to operate the establishment in a portion or portions of the Premises as designated by the Lessee with the prior approval of the Port Authority. Prior to the issuance of any such permit by the Port Authority, such Person may be required to submit to the Port Authority evidence satisfactory to the Port Authority of its qualifications, the scope of its proposed operations and the standards of service it will provide. Any such permit shall provide that such concessionaire will conduct its operations thereunder in a first-class manner in accordance with the best practices in the industry and shall comply with the maximum Port Authority standards with respect to service, health, sanitary and safety measures. Paragraph (h)(2)(vi) of this Section shall apply with respect to any inconsistency between the terms of the permit and the terms of the agreement between the Lessee and the concessionaire. Without limiting the foregoing, prior to the issuance of

the permit the Port Authority shall make a copy of the same available to the Lessee and, upon the execution of the permit by the proposed concessionaire, the same shall be consented to in writing by the Lessee. Such other Person shall be required to pay to the Port Authority a fee but such fee shall not in any event exceed the fees or charges that would be retained by the Port Authority if such establishment were operated by a regular concessionaire of the Port Authority. The Port Authority permit will not be revoked without cause by the Port Authority, without the prior consent of the Lessee. Nothing in the preceding sentence shall mean or imply, or be deemed to mean or imply, that the Lessee's consent shall be required for the Port Authority to revoke its permit with, or other agreement containing its consent to, a Retail Manager, and such Lessee's consent shall not be required.

(5) The contract between a concessionaire and the Port Authority, or the permit between the concessionaire and the Port Authority where such concessionaire has entered into an agreement with the Lessee in accordance with this Lease, shall contain appropriate provisions permitting cancellation of such contract on short notice with and without cause. The Lessee's agreement with the concessionaire shall contain appropriate provisions permitting cancellation of such contract on short notice with and without cause. In the event of such cancellation without cause by the Port Authority (consistent with the penultimate sentence of subparagraph (4) above regarding the prior consent of the Lessee, it being understood that the same excepts goods and services described in Section 81 hereof or any which constitute Reserved Uses) or the Lessee, as the case may be, the Lessee agrees (and its agreement with the concessionaire shall provide that the Lessee agrees) to reimburse the concessionaire for its unamortized investment in the interior finishes and trade fixtures and title to such trade fixtures shall thereupon vest in the Lessee; provided, however, where such agreement is canceled expressly on the basis of the failure of the concessionaire to keep, perform or observe any of the terms and provisions of said agreement on its part to be kept, performed or observed or on the basis of one or more event or events of default as specified in said agreement such provision for Lessee reimbursement is not to obtain or apply.

Section 80. Restaurant and Bar

(a) The Lessee shall select and thereafter enter into a contract or agreement with one or more qualified restaurant operators (each such restaurant operator being hereinafter referred to in this Section as the "Restaurant Operator") authorizing the Restaurant Operator to operate in the Premises facilities for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in the Premises, subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Restaurant Operator to operate a restaurant service in a portion of the Premises hereunder. The agreement with the Restaurant Operator shall cover the arrangements for the space to be used in for restaurant service within the Premises including the amount, type and location of the space.

(b) The agreement between the Restaurant Operator and the Lessee may not call for any fixed rental or fee but shall provide that the Restaurant Operator shall pay a percentage fee to the Port Authority based upon the Gross Receipts of the Restaurant Operator from the sale of food, alcoholic and non-alcoholic beverages, which fee shall be subject to the prior written approval of the Port Authority and shall be incorporated into the Permit to be issued by the Port Authority. The Port Authority shall pay the Lessee for the use of the space by the Restaurant Operator a fee equivalent to 80% of the percentage fee collected by the Port Authority from the Restaurant Operator. It is hereby understood and agreed that 20% of the percentage fee collected from the Restaurant Operator by the Port Authority shall be retained by the Port Authority.

(c) In the event the Restaurant Operator selected by the Lessee to provide food, alcoholic and non-alcoholic beverages and similar items for sale and consumption on the Premises is the same concessionaire providing in-flight meals to the Lessee and is a wholly owned subsidiary of the Lessee, the fees to be paid to the Port Authority shall apply only to the Gross Receipts of the Restaurant Operator from the sale of food, alcoholic and non-alcoholic beverages on the Premises.

(d) There shall be no other payments by the Restaurant Operator to the Lessee except for appropriate payments for any electricity which may be furnished to the Restaurant Operator by the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Both the agreement between the Lessee and the Restaurant Operator and the permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions and terms of payment.

Section 81. Vending Machines, Public Telephones, Advertising Displays

(a) If requested by the Lessee the Port Authority, by itself or through contractors, lessees, or permittees, shall install and maintain in the Premises vending machines, public telephones, and/or advertising displays, at such locations and to such extent as requested by the Lessee.

(b) The Port Authority shall require its contractors, lessees, or permittees to pay a fee, which may be a percentage fee subject to a minimum amount, based upon the Gross Receipts received from such vending machines, public telephones, and advertising displays or a fixed fee.

(c) The Port Authority shall pay the Lessee an annual fee equivalent to the percentages set forth below of the fee collected by the Port Authority from its contractors, lessees, or permittees aforementioned: (1)2a with respect to vending machines (2) 2a with respect to public telephones and (3) 2a with respect to advertising. The fees payable hereunder shall be paid in the same manner, under the conditions and at the times, provided in Section 89 hereof.

Section 82. Insurance Covering Air Transportation

(a) The Port Authority may enter into contracts or agreements with qualified insurance vendors requiring such vendors to sell or arrange for the sale, at the Premises, of insurance covering air transportation, of such types and coverages as may be required by the Lessee.

(b) The contract between the insurance vendor and the Port Authority shall provide that such vendor shall pay a basic rental for the space occupied by such vendor in the Premises in connection with the sale of such insurance. The basic rental will be based upon the cost to the Lessee of providing such space to the vendor. In determining the cost to the Lessee there shall be considered the construction cost for the vendor's premises, and an appropriate allocation of the cost of providing and maintaining public areas within the Premises. For the purpose of determining the aforesaid costs the Premises shall be considered as a single entity and a single rental rate shall be established for all areas of the Premises based thereon. The amount of the basic rental to be paid by the vendor shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated.

(c) The contract shall further provide that the vendor shall pay to the Port Authority an amount equal to a percentage of the vendor's gross premiums from the sale of such insurance, less the amount of any basic rental paid by the vendor. The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental (hereinafter the "Basic Rental Equivalent"). The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof.

(d) The contract with the insurance vendor will provide that: (1) if the Lessee so requests, the vendor shall provide a general information service to the public; and (2) the vendor shall not be required to provide a counter for the sale of insurance if, in its opinion, there will be insufficient patronage to support such a counter; and (3) the vendor shall not be required to continue to provide at any designated location vending machines for the sale of insurance when the gross premiums from any such machines at any such location is less than $200 per month, provided, however, if twenty-four (24) hour counter coverage is not provided there shall be at least one machine in the Premises; and (4) the provisions of insurance policies and the minimum coverage offered shall be acceptable to the Lessee.

(e) The location of insurance counters and insurance vending machines shall be determined by the Lessee subject to the approval of the Port Authority and in accordance with the Lessee's comprehensive plan. The Lessee shall not require unreasonably frequent moves of insurance counters and insurance vending machines hereunder.

(f) There shall be no payments by the insurance vendor to the Lessee for utilities which may be furnished to the insurance vendor by the Lessee.

Section 83. Newsstands

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified newsstand operator or operators (each such newsstand operator being hereinafter referred to in this Section as the "Newsstand Operator") authorizing such operators to operate newsstands in the Premises for the sale at retail of such of the following items as may be approved by the Port Authority: newspapers, magazines, cigarettes, cigars and other tobacco supplies, candy, chewing gum, playing cards and paper-bound books, to the extent required by the Lessee, subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Newsstand Operator to operate a newsstand service in a portion of the Premises hereunder. The Port Authority shall require such operator or operators to sell at retail from its or their locations, such other items or furnish such other services as may be approved by the Port Authority and as are requested by the Lessee.

(b) The Lessee agrees that it shall furnish to the Newsstand Operator sufficient and suitable space for conducting and carrying on its aforesaid operation. The Lessee shall furnish without additional charge, a reasonable amount of storage space for the use of the Newsstand Operator. The location of newsstands and appropriate storage space for the use of the Newsstand Operator(s) shall be determined by the Lessee subject to the approval of the Port Authority and in accordance with the Lessee's comprehensive plan.

(c) The contract between the Newsstand Operator(s) and the Lessee shall provide that such operator shall pay to the Port Authority a basic rental for the space occupied by such operator in the Premises in connection with the operation of the newsstand. The basic rental will be based upon the cost to the Lessee of providing such space to the operator. In determining the cost to the Lessee there shall be considered the construction cost for the vendor's premises and an appropriate allocation of the cost of providing and maintaining public areas within the Premises. For the purpose of determining the aforesaid costs the Premises shall be considered as a single entity and a single basic rental rate shall be established for all areas of the Premises based thereon. The amount of the basic rental to be paid by the Newsstand Operator(s) shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated.

(d) The agreement with the Newsstand Operator(s) shall further provide that the operator will pay to the Port Authority a percentage fee of the Gross Receipts derived by the Newsstand Operator from all sales made by the Newsstand Operator less the amount of the basic rental paid by the Newsstand Operator. The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the

basic rental, the Port Authority shall retain the basic rental equivalent (as hereinabove defined). The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee.

(e) The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Newsstand Operator and any permit to be issued by the Port Authority shall have provisions covering the percentage fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(f) The agreement with the Newsstand Operator(s) will further provide that the Newsstand Operator will be permitted to sell at retail only such merchandise as is normally sold at newsstands in operation at Port Authority Airports. If there is a demand or need by travelers and other users of the Premises for other merchandise and there is no other tenant, permittee or licensee of the Port Authority available to provide such merchandise the scope of the newsstand's operation may be increased, provided, however, that no merchandise objectionable to the Lessee or the Port Authority shall be sold.

(g) There shall be no payments by the Newsstand Operator to the Lessee for utilities which may be furnished to the Newsstand Operator by the Lessee.

Section 84. Duty-Free Shop

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified person or entity (each such person or entity is hereinafter referred to as the "Duty-Free Shop Operator") providing for such Duty-Free Shop Operator to operate a shop in the Premises for the sale at retail of in-bond liquors, in-bond cigarettes, cigars and other in-bond tobacco products, and other in-bond items (hereinafter called the "Duty-Free Shop"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Duty-Free Shop Operator to operate a Duty-Free Shop in a portion of the Premises hereunder.

(b) The Lessee agrees that it shall furnish to the Duty-Free Shop Operator sufficient and suitable space for conducting and carrying on its aforesaid operation, including a storage area in a portion of the Premises for the storage of the aforesaid in-bond items to be sold by the Duty-Free Shop Operator (said storage area being herein called the "Duty-Free Distribution Center").

(c) The agreement between the Lessee and the Duty-Free Shop Operator may not call for any fixed fee or rental but shall provide that the Duty-Free Shop Operator shall pay to the Port Authority a percentage fee, subject to appropriate minimum amounts, based upon the Gross

Receipts of the Duty-Free Shop Operator from the sale of in-bond liquors, in-bond cigarettes, cigars and other in-bond tobacco products and other in-bond items, which provision shall be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Duty-Free Shop Operator to the Port Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of the percentage fee payable by the Duty-Free Shop Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. Such remittance shall be made in the same manner, under the conditions and at the times provided in Section 89 hereof. Any agreement with the Duty-Free Shop Operator and any permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(d) The Lessee shall have the right, for good cause demonstrated, to require the Port Authority to revoke or terminate on short notice such agreement between the Port Authority and the Duty-Free Shop Operator. The Lessee shall indemnify and hold harmless the Port Authority from and against any and all liability, damages, costs and expenses arising out of any such revocation or termination by the Port Authority.

(e) There shall be no payments by the Duty-Free Shop Operator to the Lessee for utilities which may be furnished to the Duty-Free Shop Operator by the Lessee.

Section 85. Foreign Currency Exchange

(a) The Lessee shall select and thereafter enter into an agreement or agreements with a qualified foreign currency exchange operator or operators (which person or entity is sometimes hereinafter referred to as the "Currency Exchange Operator") providing for the Currency Exchange Operator to operate an establishment in the Premises for the exchange, purchase and sale of domestic and foreign currencies (hereinafter called the "Foreign Currency Exchange Service"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Currency Exchange Operator to operate a Foreign Currency Exchange Service.

(b) The Lessee agrees that it shall furnish to the Currency Exchange Operator sufficient and suitable space for conducting and carrying on its aforesaid operation.

(c) The agreement between the Lessee and the Currency Exchange Operator may not call for any fixed rental or fee but shall provide that the Currency Exchange Operator shall pay to the Port Authority a percentage fee based upon the Gross Receipts of the Currency Exchange Operator, which provision shall also be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Currency Exchange Operator to the Port

Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of the percentage fee payable by the Currency Exchange Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Currency Exchange Operator and any permit to be issued by the Port Authority shall have provisions covering the fee in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment.

(d) There shall be no payments by the Currency Exchange Operator to the Lessee for utilities which may be furnished to the Currency Exchange Operator.

Section 86. Retail Banking

(a) The Lessee shall select and thereafter enter into an agreement or agreement with a qualified retail banking operator or operators (which person or entity is sometimes hereinafter referred to as the "Retail Bank Operator") providing for such Retail Bank Operator to operate a service, within Concession Areas, performing one or more of the following functions as agreed between them: the maintaining of accounts, receipt and/or disbursement of funds and including automatic teller machine service and foreign currency exchange (hereinafter called the "Retail Banking Service"), subject in all respects to Section 79 hereof including, but not limited to, the requirement to obtain a permit from the Port Authority authorizing such Retail Bank Operator to operate a Retail Banking Service.

(b) The Lessee agrees that it shall furnish to the Retail Bank Operator sufficient and suitable space for conducting and carrying on its aforesaid operation.

(c) The agreement between the Lessee and the Retail Bank Operator shall provide that the Retail Bank Operator shall pay a basic fixed fee or rental to the Port Authority, which provision also shall be incorporated in any permit to be issued by the Port Authority hereunder. The amount payable by the Retail Bank Operator to the Port Authority shall be as may be agreed upon between the Port Authority and the Lessee. It is hereby understood and agreed that 50% of such fixed fee payable by the Retail Bank Operator and actually collected by the Port Authority therefrom shall be remitted by the Port Authority to the Lessee with the Port Authority retaining the balance. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 89 hereof. Any agreement with the Retail Bank Operator and any permit to be issued by the Port Authority shall have provisions covering the rental and fees in accordance with this Section and, without limiting the generality of any other provision of this Section, the permit shall control as to the manner, conditions, and terms of payment

(d) There shall be no payments by the Retail Bank Operator to the Lessee for utilities which may be furnished to the Retail Bank Operator by the Lessee.

Section 87. Other Consumer Services

(a) If the Lessee requests that additional consumer services be provided in the Premises for the sale of other items or the furnishing of other services, the Lessee shall either (i) request that the Port Authority secure qualified tenants, permittees or licensees (hereinafter each referred to as the "Additional Operator"), to furnish such consumer services and the Port Authority shall endeavor to secure such Additional Operator and to enter into contracts or agreements with such Additional Operator requiring it to furnish the item or services to the extent required by the Lessee, or (ii) notify the Port Authority in writing that the Lessee is seeking such Additional Operator (including the proposed contractual arrangements, if any, between the Lessee and the proposed Additional Operator), satisfactory to the Port Authority and subject to its approval, provided that the Lessee complies with all the terms and provisions of Section 79 hereof, including without limitation its prior submittal to the Port Authority of an updated comprehensive plan for consumer services covering such proposed Additional Operator in accordance with and subject to said Section 79, and in compliance with the provisions covering the selection of the Additional Operator as described in Sections 79 (c) and 79(j) hereof and also subject to Sections 68, 88 and 89 hereof.

(b) Each such Additional Operator must enter into an appropriate contractual arrangement with the Port Authority, as described in Sections 79(c) and 79(j) hereof, including without limitation an appropriate Port Authority permit authorizing such Additional Operator to operate the consumer services at the Premises.

(c) (1) The contract between the Additional Operator and the Port Authority shall provide that such Additional Operator shall pay to the Port Authority a basic rental for the space occupied by such Additional Operator in the Premises in connection with the furnishing of the consumer services. The basic rental will be based upon the cost to the Lessee of providing such space to the Additional Operator. In determining the cost to the Lessee there shall be considered the construction cost of the Premises and the cost of operation and maintenance of the Premises. The amount of the basic rental to be paid by the Additional Operator shall be agreed upon between the Port Authority and the Lessee.

(2) The contract shall further provide that such Additional Operator shall also pay a percentage fee based upon the Gross Receipts of such Additional Operator from the operation of such consumer service, less the amount of any basic rental paid by the Additional Operator.

(3) The Port Authority shall pay to the Lessee the amount of the basic

rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental. The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the same manner, under the conditions, and at the times provided in Section 89 hereof.

(4) Notwithstanding the foregoing provisions of subparagraphs (1), (2) and (3) above, the contract between the Port Authority and the Additional Operator may provide that the Additional Operator will pay to the Port Authority a basic minimum rental plus a percentage of Gross Receipts (with or without an annual exemption amount) to be shared equally between the Port Authority and the Lessee and will also pay to the Lessee an equal amount as such basic minimum rental, with such payments of the basic minimum rental and percentage fee to be made by the Additional Operator directly to the Port Authority and directly to the Lessee.

(d) The Additional Operator will furnish and install at its expense all necessary fixtures, stands, counters and equipment required in connection with its operation and all construction work necessary to accommodate such installations.

(e) The Port Authority may require the contract with the Additional Operator to include limitations as to the scope of the activities of such Additional Operator in light of the availability of similar services in the concession area or Premises.

(f) The Lessee understands and agrees that it may not itself nor will the Port Authority install or cause to be installed coin-operated lockers on the Premises.

Section 88. Subletting of the Premises for Consumer Services

(a) Irrespective of whether the Persons selected in accordance with this Agreement to furnish the consumer services set forth in Sections 80, 81, 82, 83, 84, 85, 86 and 87 hereof have contracts with or are contractors or permittees of the Port Authority, the Lessee may require that such Persons enter into separate agreements or subleases with the Lessee as a condition precedent to the occupancy of space within and the operation of such establishments upon the Premises, provided, however, that all such Persons must have first obtained a permit from the Port Authority authorizing them to operate such establishments. The terms and provisions of the said agreements or subleases shall not be inconsistent with the terms of this Agreement except that the same may provide for cancellation by the Lessee on short notice in the event the services furnished by such Persons are unsatisfactory to the Lessee.

(b) Section 79(j) shall fully apply with respect to subleases and other agreements entered into between the Lessee and a Person pursuant to this Section, including but not limited to the requirement of such Persons to pay to the Port Authority a fee, with such fee not in any event to

exceed the fees or charges that would be retained by the Port Authority if their respective establishments were operated by regular concessionaires of the Port Authority.

Section 89. Obligations in Connection with Consumer Services Agreements

(a) The Port Authority shall administer all contracts and agreements with its tenants, licensees or permittees furnishing consumer services at the Premises. All such contracts and agreements shall contain provisions, among others, providing that such tenant, licensee or permittee shall:

(1) Take all reasonable measures in every proper manner to maintain, develop and increase the business conducted by it at the Premises;

(2) Not divert or cause or allow to be diverted any business from the Premises;

(3) Maintain in accordance with accepted accounting practice, records and books of account recording all transactions at, through or in any way connected with the Premises, which records and books of account shall be kept at all times within the Port of New York District and permit, in ordinary business hours during such time, the examination and audit by the officers, employees and representatives of the Port Authority of such records and books of account;

(4) Permit in ordinary business hours the inspection by the officers, employees and representatives of the Port Authority or the Lessee of any equipment used by the tenant, licensee or permittee, including but not limited to cash registers and recording tapes;

(5) Furnish on or before the twentieth day of each month following the commencement date of the operation a sworn statement of Gross Receipts arising out of the operations of the tenant, licensee or permittee, for the preceding month;

(6) Install and use such cash registers, sales slips, invoicing machines and any other equipment or devices for recording orders taken or services rendered as may be appropriate to the business and necessary or desirable to keep accurate records of Gross Receipts;

(7) Furnish good, prompt and efficient service, adequate to meet all demands therefor at the Premises; furnish said service on a fair, equal and nondiscriminatory basis to all users thereof, and charge fair, reasonable and nondiscriminatory prices for all items and/or services which it is permitted to sell and/or render; and

(8) Promptly observe, comply with and execute the provisions of any and

all present and future governmental laws, rules, regulations, requirements, orders and directions which may pertain and apply to its operations or the use and occupancy of the Premises.

(b) The Port Authority does not guarantee the payments of rentals and fees required to be paid by the tenant, licensee, permittee, concessionaire or operator pursuant to the provisions of Sections 80, 81, 82, 83, 84, 85, 86 and 87 hereof and shall have no obligation to the Lessee to make any payments to the Lessee until the fees or rentals are actually collected from the tenant, licensee, permittee or operator. The Port Authority will advise the Lessee of all accounts remaining delinquent for more than sixty (60) days and will consult with the Lessee as to the appropriate steps to effect collection. A default by the Port Authority in observing the provisions of the preceding sentence shall not result in the imposition of any liability on the Port Authority with respect to the Lessee.

Section 90: Reimbursement by the Lessee of a Portion of the Parking Garage Cost

(a) The following terms when used in this Agreement shall have the respective meanings given below:

(1) "Parking Garage" shall mean the parking garage to be constructed by the Port Authority in the vicinity of the existing public parking Lot 3 and all required, associated and related areas, utilities, equipment and facilities, including but not limited to, all interior and exterior stairwells, stairways, escalators, elevators, ramps, roadways and appurtenances, sidewalks and pedestrian circulation areas; all grading, soil disposal, paving, landscaping and fencing; all signage, static and dynamic sign systems and other traffic control devices and systems; revenue control systems; all work to connect, integrate, construct and support all pedestrian circulation areas to the AirTrain station in the vicinity of the Parking Garage; all utilities, lighting, lines, pipes, mains, drains, cables, manholes, wires, conduits and other facilities required in connection with or relating to the mechanical, heating, cooling, utility, water, electrical, storm sewer, sanitary sewer, communications, security, fire alarm, fire protection, and other systems and facilities and including all necessary relocations, and all work necessary or required to tie the foregoing into existing systems and facilities; and all other appropriate or necessary work in connection with the foregoing.

(2) "Costs of the Parking Garage" shall mean the Port Authority's project cost determined in accordance with the Port Authority's normal accounting practices to determine the costs of capital projects performed by the Port Authority to plan, design and construct the Parking Garage, which shall include but not be limited to the following:

(i) On-the-job payroll costs of employees and supervisory personnel (including Airport supervisors, foremen and clerks) including but not limited to, contributions to any retirement system or the cost of or participation in any pension plans or

the like, social security, old age, survivor's, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(ii) The cost (including rental charges) of materials, supplies, equipment and utilities (including but not limited to electricity, water and phone);

(iii) Payments to contractors and any other third Persons, firms or corporations for work performed or services rendered;

(iv) The cost of any performance bond or bonds;

(v) The cost of any insurance;

(vi) Payments to independent consultants, architects and engineers engaged or retained by the Port Authority, including without limitation, payments of damages and penalties;

(vii) Any other direct costs as charged under the Port Authority's normal accounting practice; and

(viii) Financial expense on the foregoing computed in accordance with Port Authority accounting practice.

(3) "Parking Garage Work" shall mean all work to plan, design and construct the Parking Garage.

(4) "Parking Garage Contract" shall mean each contract or agreement awarded to by the Port Authority or entered into by the Port Authority with a third Person to perform all or any portion of Parking Garage Work.

(5) "Parking Garage Contractor" shall mean each third Person to whom a Parking Garage Contract is awarded or entered into.

(6) "Parking Garage Payment" shall mean each payment made by the Lessee to the Port Authority pursuant to paragraph (b) of this Section.

(b) The Port Authority has advised the Lessee that it has under consideration the construction of the Parking Garage. In the event the Port Authority constructs the Parking Garage,

the Lessee hereby agrees to pay to the Port Authority an amount equal to 33.33% of the Costs of the Parking Garage (which amount is herein called the "Lessee's Parking Garage Contribution"), which payment shall be made by the Lessee to the Port Authority as follows:

The Port Authority shall after the completion of any portion of the Parking Garage Work submit to the Lessee, but not more than once a month, a certificate or certificates setting forth the Costs of the Parking Garage at the date of each such certificate. Within thirty (30) days after the delivery of each such certificate, the Lessee shall pay to the Port Authority an amount representing 33.33% of said Costs of the Parking Garage as such amount is set forth in said certificate and to the extent such amount has not theretofore been included in a Parking Garage Payment. Upon its final determination of the Costs of the Parking Garage, the Port Authority shall submit to the Lessee a certificate marked "Final" setting forth the final determination of the Costs of the Parking Garage and the Lessee shall and hereby agrees to pay to the Port Authority within thirty (30) days after delivery of such certificate an amount representing 33.33% of said Costs of the Parking Garage as such amount is set forth in said certificate to the extent that the Lessee has not paid to the Port Authority 33.33% of the Costs of the Parking Garage; provided, however, that neither the foregoing nor any certificate delivered by the Port Authority, nor any payment made by the Lessee shall waive, affect, or impair any right of the Port Authority of review and audit with respect to the Costs of the Parking Garage and provided, further, however, that in the event any such review or audit by the Port Authority requires an adjustment of the Costs of the Parking Garage the Lessee shall be promptly credited with or shall pay to the Port Authority all amounts required by such adjustment.

(c) The Lessee expressly understands and agrees that (1) all use and operation of the Parking Garage shall be within the sole and exclusive control of the Port Authority (or of Port Authority permittees, licensees, contractors or tenants authorized by separate agreement with the Port Authority to use and or operate the same), (2) that the Lessee shall have no right or claim whatsoever, legal or equitable, under this Lease or otherwise, to the Parking Garage or to any income or revenues therefrom, and (3) neither this Agreement nor the Lessee's payment of any costs or expenses for or relating to the Parking Garage Work or any portion thereof, or otherwise, shall or shall be deem to grant or constitute any right, interest or claim of the Lessee in the Parking Garage or the use or control thereof or the revenues or income therefrom.

(d) Without limiting any of the terms and provisions of Section 16 hereof entitled "Additional Rent and Charges", any and all amounts required to be paid by the Lessee under this Section may be added to any installment of rent thereafter due hereunder and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were part of the rent as set forth in Section 4 hereof entitled "Rental".

(e) It is hereby expressly understood and agreed that the selection of each

Parking Garage Contractor and the award of any Parking Garage Contract to such Parking Garage Contractor shall be subject to and consistent with the Port Authority's policies and practices for the selection and award of similar contracts and the Port Authority shall have full right and discretion to use competitive bidding and award, or other basis of award, for any such Parking Garage Contract; and further that the Parking Garage Contract shall contain terms and conditions which are standard to Port Authority contracts or consistent with such standard provisions.

Section 91. Definitions

The following terms, when used in this Agreement, shall, unless the context shall require otherwise, have the respective meanings given below:

"Abandoned Fuel Lines" shall have the meaning set forth in Section 2B(q) hereof.

"Acceptance Date"shall have the meaning set forth in Section 2B(q) hereof.

"Accommodated Handled Airline" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Accommodated Sublessee Airline" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Accommodations" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"ACO" shall mean the Administrative Order on Consent (DEC File No. R2-3519-91-02) (including without limitation all portions thereof incorporated by reference, such as but not limited to, the "CAP" and "Delineation Report" as defined therein) entered into by the Lessee with the DEC covering the Premises, as the same may be amended and supplemented.

"ACO Work" shall mean all work covered by the ACO.

"ACO Work Completion Date" shall have the meaning set forth in Section 2B(n) hereof.

"Additional Operator" shall have the meaning set forth in Section 87 hereof entitled "Other Consumer Services".

"Additional Premises" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Adjustment Period" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Affected Distribution Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Affiliate" shall mean in the singular and "Affiliates" shall mean in the plural any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Lessee and any Person in which the Lessee or a shareholder of the Lessee has an ownership, licensor/licensee or franchiser/franchisee interest or relationship, but if the Lessee shall be a corporation whose Voting Securities shall be registered with the Securities and Exchange Commission and publicly traded on a regular basis then only such shareholder of the Lessee having an ownership interest greater than five percent (5%). As used in this definition, the term "control" (including the terms controlling, controlled by and under common control with) shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Person, whether through the ownership of Voting Securities, by contract or otherwise.

"Agreement" shall mean Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease.

"Air Terminal Highway" and "Air Terminal Highways" shall mean those portions of the Airport designated and made available temporarily or permanently by the Port Authority to the public for general or limited highway use.

"AirTrain" shall have the meaning set forth in Section 62 entitled "Future Airport Transportation Facilities and Operations Use of Portions of the Premises".

"Aircraft Operator" shall mean (a) a Person owning one or more aircraft which are not leased or chartered to any other Person for operation, or (b) a Person to whom one or more aircraft are leased or chartered for operation whether the aircraft so owned, leased or chartered are military or non-military, or are used for private business, pleasure or governmental business, or for carrier or non-carrier operations, or for scheduled or non-scheduled operations or otherwise. Said phrase shall not mean the pilot of an aircraft unless he or she is also the owner or lessee thereof or a Person to whom it is chartered.

"Airline Terminal Portion Work"shall have the meaning set forth in Section 2B(q) hereof.

"Airport" shall mean the land and premises in the City of New York, in the County of Queens and State of New York, which are shown in green upon the exhibit attached to the Basic Lease marked "Map II" and lands contiguous thereto which may have been heretofore or may

hereafter be acquired by the Port Authority to use for air terminal purposes.

"Airport Central Taxi Stack" shall have the meaning set forth in Section 49(b) entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management".

"Airport Fueling Agreements"shall have the meaning set forth in Section 2B(q) hereof.

"Airport Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Airport Lease Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Amended and Restated Agreement of Lease" shall mean this Amended and Restated Agreement of Lease entered into between the Port Authority and the Lessee as of the Effective Date bearing Lease No. AYB-085R and covering the Premises.

"AMR" shall mean AMR Corporation, a corporation of the State of Delaware.

"AMR's Board" shall mean the Board of Directors of AMR.

"AMR Incumbent Directors" shall mean the individuals constituting AMR's Board at the beginning of any period of 24 consecutive months.

"AMR Subsidiary" shall mean any corporation (other than AMR) in an unbroken chain of corporations beginning with AMR if each of the corporations (other than the last corporation in the broken chain) owns 50% or more of the total outstanding Voting Securities in one of the other corporations in the chain.

"American Eagle" shall have the meaning set forth in Section 19 hereof entitled "Assignment and Sublease".

"American Eagle Arrangement" shall have the meaning set forth in Section 19 hereof entitled "Assignment and Sublease".

"American's Permits" shall have the meaning set forth in Section 2B(m) hereof.

"Annual Capital Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Applicable Airport Lease Extension Agreement"shall have the meaning set forth in Section 3 hereof entitled "Term".

"Approved Cleanup Criteria" shall mean with respect to those chemicals in the soil in, on and under the Premises and as set forth with respect to soil in Exhibit 2B.3, the levels set forth for soil in the column entitled "Cleanup Criteria" on Exhibit 2B.3 and shall mean with respect to those chemicals in the groundwater in, on and under the Premises and as set forth with respect to groundwater in Exhibit 2B.3, the levels set forth for groundwater in the column entitled "Cleanup Criteria" on Exhibit 2B.3.

"Area 1" shall have the meaning set forth in Section 2B(a)(3) hereof.

"Area IA and IB Building Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area I Building Area" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area I Building Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area II Building Area" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Area II Building Rental"shall have the meaning set forth in Section 4 hereof entitled "Rental".

"ASDO" shall have the meaning set forth in Schedule F attached hereto.

"ASM" shall have the meaning set forth in Section 52 entitled "Lessee's Financial Condition-Limitation of Lease Term-Triggering Events".

"Associated or Affiliated Companies" shall have the meaning set forth in Section 44 hereof entitled "Associated and Affiliated Companies".

"Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 (a) hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Assumable Maintenance and Repair Date" shall have the meaning set forth in Section 56(b) hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Base Terminal Rental Rate" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Basic Lease" shall mean the agreement between the City of New York and the Port Authority dated April 17, 1947, as the same from time to time may have been or may be supplemented or amended. Said agreement dated April 17, 1947, has been recorded in the Office of the Register of The City of New York, County of Queens, on May 22, 1947, in Liber 5402 of Conveyances, at pages 319 et seq.

"Basic Rental Equivalent" shall have the meaning set forth in Section 82 hereof entitled "Insurance Covering Air Transportation".

"BASIS" shall have the meaning set forth in Schedule F attached hereto.

"Bid Conditions" shall have the meaning set forth in Schedule E attached hereto.

"Books and Records" shall have the meaning set forth in Section 69 hereof entitled "Books and Records".

"Building No. 56" shall have the meaning set forth in Section 41(j) hereof entitled "Hot Water and Chilled Water Requirements".

"Building No. 57 Area IA" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building No. 57 Area IB" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building No. 57 Area IC" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building Rentals" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Building Rental End Date" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Capital Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Central Terminal Area" or "CTA" shall have the meaning set forth in Section 73(a)

hereof entitled "Ground Transportation within the Central Terminal Area".

"Change in Control" shall mean the happening of any of the following:

(i) When any "person" as defined in the Exchange Act, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AMR and any AMR Subsidiary and any employee benefit plan sponsored or maintained by AMR or any AMR Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of AMR; or

(ii) When any "person" as defined in Section 3(a) (9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AMR and any AMR Subsidiary and any employee benefit plan sponsored or maintained by AMR or any AMR Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of the Lessee; or

(iii) When during any period of 24 consecutive months, the AMR Incumbent Directors cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director of AMR at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an AMR Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as AMR Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iii); or

(iv) When during any period of 24 consecutive months in which the Lessee is a publicly traded company, the Lessee's Incumbent Directors cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director of the Lessee at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be a Lessee's Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as Lessee's Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iv); or

(v) The occurrence of a transaction requiring stockholder approval for the acquisition of AMR or the Lessee by an entity other than AMR, the Lessee or a AMR Subsidiary through purchase of assets, or by merger, or otherwise.

"Changes in Landlord Rights" shall have the meaning set forth in Section 53 hereof entitled "Assignment to a Trust".

"Chilled Water" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Chiller" shall have the meaning set forth in Section 41(j) hereof entitled "Hot Water and Chilled Water Requirements".

"City" and "City of New York" shall mean the municipal corporation of the State of New York known as the City of New York.

"Civil Aircraft Operator" shall mean a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he or she shall be deemed to be a Civil Aircraft Operator only to the extent that he or she engages in the operation of aircraft for civilian purposes.

"Claim" and "Claims" shall have the meaning set forth in Section 65 hereof entitled "Storage Tanks".

"Cogeneration Agreement" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Cogeneration Facility" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Comprehensive Plan" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Concession Areas" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Condition Survey" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Contract" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Contractor" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Condition Survey Report" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Consolidated Counters" shall have the meaning set forth in Section 71 (b) hereof entitled "Ground Transportation Services".

"Consumer Price Index" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Contractor" shall have the meaning set forth in Schedule E attached hereto.

"Cost of Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Costs of the Condition Survey" shall have the meaning set forth in Section 57 (a) hereof entitled "Joint Periodic Condition Survey".

"Costs of the Parking Garage" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"CPI" or "Consumer Price Index" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"CPI Percentage Increase" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"CTA" shall have the meaning set forth in Section 73(a) hereof entitled "Ground Transportation within the Central Terminal Area".

"CTA Ground Transportation Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation within the Central Terminal Area".

"CTA Omnibus Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation Within the Central Terminal Area".

"CTA Supplementary Service" shall have the meaning set forth in Section 73(b) hereof entitled "Ground Transportation Within the Central Terminal Area".

"Currency Exchange Operator" shall have the meaning set forth in Section 85 hereof entitled "Foreign Currency Exchange".

"Current Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Current Lease Expiration Date" shall have the meaning set forth in Section 3 hereof entitled "Term".

"DEC" shall mean the New York State Department of Environmental Conservation.

"Debt" shall have the meaning set forth in Exhibit 52.1 hereof.

"Debt Financings" shall have the meaning set forth in Exhibit 52.1 hereof.

"Discharge" shall have the meaning set forth in Section 65 hereof entitled "Storage Tanks".

"Distribution Portion of the System" shall mean the Distribution Portion of the System as described in the General Airport Agreement.

"Distribution Portion Work" shall have the meaning set forth in Section 2B(q) hereof.

"Duty-Free Distribution Center" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"Duty-Free Shop" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"Duty-Free Shop Operator" shall have the meaning set forth in Section 84 hereof entitled "Duty-Free Shop".

"EEO" shall have the meaning set forth in Schedule E hereof.

"Effective Date" shall have the meaning set forth in the first paragraph hereof.

"Employee Surface Carrier(s)" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Environmental Damages" shall mean any one or more of the following: (i) the presence in, on, or under the Premises of any Hazardous Substance whether such presence occurred prior to or during the term of the letting under this Agreement or resulted from any act or omission of the Lessee or others, and/or (ii) the disposal, discharge, release or threatened release of any Hazardous Substance from the Premises or of any Hazardous Substance from under the Premises

and/or (iii) the presence of any Hazardous Substance in, on or under other property at the Airport as a result of (a) the Lessee's use and occupancy of the Premises or the performance of the Section 2B Work or any other work at the Premises or (b) a migration of a Hazardous Substance from the Premises or from under the Premises or (c) the Lessee's operations at the Airport, and/or (iv) any personal injury, including wrongful death, or property damage, arising out of or related to any Hazardous Substance described in (i), (ii) or (iii) above, and/or (v) the violation of any Environmental Requirement pertaining to any Hazardous Substance described in (i), (ii) or (iii) above, the Premises and/or the activities thereon.

"Environmental Requirement" shall mean in the singular and "Environmental Requirements" shall mean in the plural all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises, requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "best management practices plans", and other programs adopted and agreements made by the Port Authority with any governmental agencies (whether adopted or made with or without consideration or with or without compulsion), with any government agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, and in the event that there shall be more than one compliance standard, except as set forth in paragraph (d)(9)(ii) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee" and paragraph (f)(1) of Section 59 hereof entitled "Environmental Obligations", the standard for any of the foregoing to be that which requires the lowest level of a Hazardous Substance, the foregoing to include without limitation:

(i) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist;

(ii) All requirements pertaining to the protection from Hazardous Substances of the health and safety of employees or the public;

(iii) The Atomic Energy Act of 1954 , 42 U.S.C. Section 2011 et. seq.; the Clean Water Act also known as the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et. seq.; the Clean Air Act, 42 U.S.C. Section 7401 et. seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 et. seq.; the Comprehensive Environmental Response,

Compensation, and Liability Act. 42 U.S.C. Section 9601 et. seq.; the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Section 2701 et. seq. ; the Emergency Planning and Community Right to Know Act, 42 U.S.C. Section 11001 et. seq.; the Occupational Safety and Health Act, 29 U.S.C. Section 651 et. seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et. seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et. seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et. seq.; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f-300h-11 et. seq.; the New York State Environmental Conservation Law; the New York State Navigation Law; together, in each case, with any amendment thereto, and the regulations adopted, guidances, memoranda and publications promulgated thereunder and all substitutions thereof; and

(iv) the ACO.

"Environmental Restriction" shall mean in the singular and "Environmental Restrictions" shall mean in the plural (x) any requirement or obligation pursuant to any Environmental Requirement or imposed by any Governmental Authority (whether stated as a condition or otherwise) to further remediate, clean-up or restore the Premises and/or the Site as a result of the presence of any Hazardous Substance thereon, therein, or thereunder, including without limitation the groundwater thereunder, or (y) the presence of any Hazardous Substance in, on or under the Premises and/or the Site, including without limitation the groundwater thereunder, which shall or may result in a restriction, encumbrance or lien of any nature whatsoever being placed upon the Premises or the Airport or the use or occupancy thereof or any operations or activities conducted or to be conducted thereon or the transfer, development or construction thereof or thereon, or which shall result in the Premises and/or the Site not being in the condition required by the Basic Lease upon surrender of the Airport by the Port Authority to the City of New York.

"Equal Employment Opportunity" or "EEO" shall have the meaning set forth in Schedule E hereof.

"Excavated Material" shall have the meaning set forth in Section 2B(d)(9) hereof.

"Excess Price" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation With the Central Terminal Area".

"Exchange Act" shall mean the Securities Act of 1934.

"Exhibit 1.1" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Exhibit 2B.1" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Exhibit 2B.3" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Exhibit 52.1" shall have the meaning set forth in Section 52 hereof entitled "Lessee's Financial Condition - Limitation of Lease Term - Triggering Events".

"Exhibit H Property" shall have the meaning set forth in Section 29 hereof entitled "Removal of Property".

"Exit Baseline" shall have the meaning set forth in Section 59 hereof entitled "Environmental Obligations".

"Federal Inspection Service(s)" shall mean the inspection of the Lessee's air passengers and their baggage for immigration, customs, public health and other governmental purposes by agencies of the United States having jurisdiction thereof.

"Fee Transfer Agreement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Final Lease Extension Date" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Foreign Currency Exchange Service" shall have the meaning set forth in Section 85 hereof entitled "Foreign Currency Exchange".

"Former Agreements" shall mean the Surrendered Lease, the United Consent, the Northwest Consent, Permit No. AYC-136 and Permit No. AY-953.

"Fuel Line Risks"shall have the meaning set forth in Section 2B(q) hereof.

"Fuel Lines Work"shall have the meaning set forth in Section 2B(q) hereof.

"General Airport Agreement" shall mean that certain agreement and lease of premises entitled "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented, amended and extended) and bearing Port Authority file number designation AY-351 which governs the rights, privileges, duties and obligations of and between the parties hereto with respect to the Airport.

"General Manager of the Airport" shall mean the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in the said General Manager by this Agreement; but until further notice from the Port Authority to the Lessee it shall

mean the General Manager (or the temporary or acting General Manager) of the Airport for the time being, or his duly designated representative or representatives.

"Governmental Authority", "Governmental Board" and "Governmental Agency" shall each mean federal, state, municipal and other governmental authorities, boards and agencies of any state, nation or government, except that they shall not be construed to include The Port Authority of New York and New Jersey, the lessor under this Agreement.

"Gross Receipts" shall mean and include all monies paid or payable to an Operator for sales made and for services rendered at or from the Premises, and outside the Premises, if the order therefor is received at the Premises, and any other revenues of any type arising out of or in connection with the Operator's operations at the Premises, provided, however, that any taxes or other governmental charges imposed by law which are separately stated to and paid by a customer and directly payable to the taxing authority by the Operator, shall be excluded therefrom.

"Ground Carrier Permittees" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Ground Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Ground Transportation Operators" shall have the meaning set forth in Section 71(a) hereof entitled "Ground Transportation Services".

"Guide" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Handled Airlines" shall mean any Requesting Airline, Accommodated Handled Airlines, Accommodated Sublessee Airlines and any other Scheduled Aircraft Operators who are operating at the Airport pursuant to accommodations provided by the Lessee, whether pursuant to a sublease agreement, Handling Agreement or a combination of both, which agreement has been consented to by the Port Authority and which consent remains in full force and effect.

"Handling Agreement" shall mean a ground handling or handling agreement, as such terms are used and understood in the aviation industry, or any other agreement entered in to between the Lessee and an Aircraft Operator whereby the Lessee provides the types of services provided by a handling Aircraft Operator to a handled Aircraft Operator under a ground handling or handling agreement, it being understood and agreed that the Lessee shall have no right to enter into a Handling Agreement without the prior written consent of the Port Authority.

"Hazardous Substance" shall mean and include in the singular and "Hazardous

Substances" shall mean and include in the plural any pollutant, contaminant, toxic or hazardous waste, dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls ("PCBs"), chemicals known to cause cancer, endocrine disruption or reproductive toxicity, petroleum and petroleum products and other substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and publications promulgated pursuant thereto.

"Hot Water" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Indebtedness" shall have the meaning set forth in Exhibit 52.1 hereof.

"In-Flight Meals" as used in the air transportation industry and in this Agreement is a word of art and includes food, beverages, snacks, non-reusable supplies, materials, dry goods and all services rendered in connection therewith.

"In-Flight Meal Operator" shall have the meaning set forth in Section 78(a) hereof entitled "In-Flight Meals".

"Inert Fuel Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Initial Price" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation within the Central Terminal Area".

"Itinerant Aircraft" shall have the meaning set forth in Section 76 hereof entitled "Itinerant Aircraft".

"KIAC" shall have the meaning set forth in Section 41(a) hereof entitled "Hot Water and Chilled Water Requirements".

"Lease" shall mean Lease AYB-085 as amended and supplemented by this Amended and Restated Agreement of Lease.

"Lease AYB-085" shall mean that certain agreement of lease entered into between the Port Authority and the Lessee as of the first day of August, 1976 and bearing Port Authority Lease No. AYB-085, as amended, supplemented and extended as of the day immediately proceeding the Effective Date (and includes Section 2B hereof as of September 24, 1998 and Section 59 hereof as of August 1, 1976), pursuant to which the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises including without limitation the Lease AYB-085 Premises.

"Lease AYB-085 Premises" shall mean the land shown in stipple and crosshatching on Exhibit 1.1 at John F. Kennedy International Airport in the County of Queens, City and State of New York, together with all buildings, improvements and structures which were erected thereon by the Lessee under the Former Agreements and Lease AYB-085, the aforesaid land, together with all buildings, structures, fixtures, improvements and other property of the Port Authority located therein, thereon or thereunder, all of the foregoing being and constituting the premises under Lease AYB-085 as of the day immediately preceding the Effective Date, and all structures, improvements, additions, buildings, installations and facilities located, constructed or installed, or which may be located, constructed or installed therein, thereon or thereunder, and the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler, fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems, and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins constructed therein, thereon or thereunder as of the Effective Date, provided, however, it is hereby understood and agreed that the AirTrain, the Cogeneration Facility, the Traffic Systems and the Distribution Portion of the System are not a part of the Lease AYB-085 Premises and shall not be or become a part of the Premises.

"Lessee" shall mean American Airlines, Inc., a corporation of the State of Delaware.

"Lessee's Basic Schedule" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Lessee's Basic Schedule for 1999" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Lessee's Commencement Basic Schedule" shall have the meaning set forth in Section 46 hereof entitled "Addition Rights of the Port Authority as to Portions of the Premises".

"Lessee's Parking Garage Contribution" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Lessee's Personal Property" shall have the meaning set forth in Section 29 hereof entitled "Removal of Property".

"Lessee's Use Agreements" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Liabilities" shall mean any and all risks, claims, demands, causes of action, suits, legal and administrative proceedings, inquiries, charges, orders (including without limitation, administrative and judicial), interest, penalties, payments in lieu of penalties, fines, punitive and consequential damages, liabilities (including without limitation tort, statutory and strict liability), negligence of any kind, settlements, attorney, expert witness and consultant fees, investigation and laboratory fees, costs, expenses and fees for preparation of reports and corrective action plans, cleanup, remediation and restoration costs, reckonings, bonds, bills, specialities, debts, dues, executions, statutory and common law contribution and cost recovery, environmental mitigation liabilities, natural resources damages, costs to remove any property or ground water use restrictions or other Environmental Restrictions, long-term monitoring and maintenance requirements, court costs and litigation expenses, damages, judgments, losses, injuries and costs and expenses, of whatsoever kind or nature, including without limitation, those of the Lessee, those of the City of New York pursuant to the Basic Lease or by operation of law for indemnity or otherwise, those of any Governmental Authority, those of any party responsible or potentially responsible for Hazardous Substances in, on or under the Premises and/or the Site or disposed of properly or improperly off the Premises or the Site, as the result of or pursuant to any Environmental Requirement, contract, lease, agreement or otherwise, and those for trespass, breach of contract, contribution, cost recovery, property damages and personal injuries (including death), and whether known or unknown, contingent or otherwise, just or unjust, groundless, direct or indirect, unforeseeable or otherwise, in law or in equity.

"Local Business Enterprise" or "LBEs" shall have the meaning set forth in Schedule F attached hereto.

"Main Terminal" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Material Part" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Meaningful Participation" shall have the meaning set forth in Schedule E hereof.

"Measuring Period" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Metro Area" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Migrated Hazardous Substance" shall mean a Hazardous Substance in, on or under the Premises which has migrated from outside of the Premises or from outside the groundwater under the Premises and which Hazardous Substance was not, in whole or in part, disposed of, discharged or released by, in connection with, or as a result of, any act or omission of the Lessee and which migration from outside of the Premises or from outside the groundwater under the Premises was not in anyway, in whole or in part, caused by or occurred in connection with or arose out of any act or omission of the Lessee.

"Minority" shall have the meaning set forth in Schedule E hereof.

"Minority Business Enterprise" or "MBE" shall have the meaning set forth in Schedule E.

"Naturally Occurring Hazardous Substance" shall have the meaning set forth in paragraph (d)(9)(ii)(bb) of Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"New Airport Lease" shall have the meaning set forth in Section 3 hereof entitled "Term".

"New Isolation Valves" shall have the meaning set forth in Section 2B(q) hereof.

"Newsstand Operator" shall have the meaning set forth in Section 83 hereof entitled "Newsstands".

"New System Components" shall have the meaning set forth in Section 2B(q) hereof.

"Non-Premises Distribution Lines"shall have the meaning set forth in Section 2B(q) hereof.

"Northwest Consent" shall mean the consent agreement entered into between and among Northwest Airlines, Inc, United Airlines, Inc., the Lessee and the Port Authority as of December 13, 1989 pursuant to which the Port Authority consented to the Lessee's occupancy of a portion of the Premises as a sub-sublessee of United Airlines, Inc. and as a sublessee of Northwest Airlines, Inc. under a gate use agreement entered into between the Lessee and Northwest Airlines, Inc.

"Off-Premises Roads" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Off-Premises Work" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Off-Site Utility Service Line Work" shall have the meaning set forth in Section 2B(l) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Operation and Maintenance Cost" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Operator" shall mean and include each and every Retail Manager, Restaurant Operator, Newsstand Operator, Duty-Free Shop Operator, Currency Exchange Operator, Retail Bank Operator, Additional Operator, Employee Surface Carrier, Ground Carrier Permittee, Passenger Surface Carrier, In-flight Meal Operator and any other Person who conducts any business or operations on or at the Premises and for which the Port Authority shall impose a fee or rental on the conduct of such business and operations in accordance with this Lease or the General Airport Agreement or otherwise.

"Other Users" shall have the meaning set forth in Section 2B(q) hereof.

"Paragraph (c) Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Paragraph (d) Extension Supplement" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Parking Garage" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Contract" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Contractor" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Payment" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Parking Garage Work" shall have the meaning set forth in Section 90 hereof entitled "Reimbursement by the Lessee of a Portion of the Parking Garage Cost".

"Participants" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area".

"Passenger Surface Carrier or Carriers" shall have the meaning set forth in Section 72 hereof entitled "Ground Transportation".

"Passenger Terminal Work" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Permanent Interest" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Permit No. AY-953" shall mean that certain permit dated as of June 20, 1960 and bearing Port Authority agreement number "AY-953" entered into between the Port Authority and the Lessee covering the Lessee's use of a portion of the Lease AYB-085 Premises.

"Permit No. AYC-136" shall mean that certain permit dated as of June 1, 1991 and bearing Port Authority agreement number "AYC-139" entered into between the Port Authority and the Lessee covering the Lessee's use of a portion of the Premises.

"Permitted Modification" shall have the meaning set forth in Section 2B(q) hereof.

"Permitted Tenancy" shall have the meaning set forth in Section 3 hereof entitled "Term".

"Period of Underutilization" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Person" shall mean not only a natural person, corporation or other legal entity, but also two or more natural persons, corporations or other legal entities acting jointly as a firm, partnership, unincorporated association, consortium, joint adventurers or otherwise.

"Phase I Construction Work" shall have the meaning set forth in Section 2A of Lease AYB-085 entitled "Additional Construction by the Lessee".

"Port Authority" shall mean the Port Authority of New York and New Jersey, a body corporate and politic, established by Compact between the States of New Jersey and New York with the consent of the Congress of the United States of America.

"Port of New York District" shall have the meaning set forth in Article II of the Compact.

"Premises" shall collectively mean the Lease AYB-085 Premises and the Additional Premises, provided, however, it is hereby understood and agreed that the AirTrain, the Cogeneration

Facility, the Traffic Systems and the Distribution Portion of the System was not as part of the Lease AYB-085 Premises and shall not be or become a part of the Premises hereunder.

"Premises Circulation Facilities" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Premises Distribution Line" shall have the meaning set forth in Section 2B(q) hereof.

"Public Aircraft Facilities" shall mean the following facilities, as they may from time to time be provided and maintained by the Port Authority at the Airport for public and common use, including use by Civil Aircraft Operators, for the following purposes and which (except as provided in Section 12.12 of the General Airport Agreement) are usable for such purposes regardless of whether or not they are actually used or usable in whole or in part by the Lessee:

(i) Public Aircraft Parking and Storage Area; and

(ii) Public Ramp and Apron Area; and

(iii) Runways; and

(iv) Taxiways; and

(v) Facilities Incidental to the Runways, Ramp and Apron Area, Aircraft Parking and Storage Area and Taxiways.

"Public Aircraft Parking and Storage Space" shall mean areas at the Airport for public and common use for the purpose of parking and storing aircraft, for the purpose of servicing aircraft with fuel and lubricants and other supplies for use thereon, and for the purpose of making minor or emergency repairs to aircraft.

"Public Landing Area" shall mean the area of land at the Airport including Runways, Taxiways and the areas between and adjacent to Runways and Taxiways, designated and made available from time to time by the Port Authority for the landing and taking off of aircraft.

"Public Ramp and Apron Area" shall mean the area adjacent to the Public Landing Area designated and made available from time to time by the Port Authority for common use for the loading or unloading of passengers or cargo to or from aircraft using the Public Landing Area.

"QF Status" shall have the meaning set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements".

"Redevelopment Work" shall have the meaning set forth in Section 2B hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Redevelopment Work Completion Date" shall have the meaning set forth in Section 2B(n)(2) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Redevelopment Work Investment" shall mean the sum of the following amounts, and such amounts only, actually paid by the Lessee to the extent that the inclusion of the same is permitted by sound accounting practices consistently applied:

(i) the amounts paid by the Lessee to independent third party contractors for work actually performed and labor and materials actually furnished in connection with the Redevelopment Work, inclusive of sales, use and like taxes where applicable, and

(ii) the amounts actually paid by the Lessee in connection with the Redevelopment Work (without duplication and excluding any amounts included in any other item hereof) for engineering, architectural, professional and consulting services, and the supervision of construction, inclusive of sales, use and like taxes where applicable, provided, however, that such amounts pursuant to this subdivision (ii) shall not exceed ten per cent (10%) of the amounts described in subdivision (i);

in each case, as the above-mentioned amounts are evidenced, from time to time, by certificates of a responsible fiscal officer of the Lessee sworn to before a notary public and delivered to the Port Authority, which certificates shall:

(a) set forth, in reasonable detail, the amounts paid to specified independent third party contractors and the amount of payments made to other specified Persons, which have not previously been reported in certificates delivered to the Port Authority;

(b) have attached thereto reproduction copies or duplicate originals of the invoices of such independent third party contractors and other Persons and an acknowledgment by such independent contractors and other Persons of the receipt by them of such amounts and payments; and

(c) certify that the amounts and payments therein set forth constitute all or a portion of the Redevelopment Work Investment in the Premises arising out of the performance of the Redevelopment Work.

The Redevelopment Work Investment shall include only Redevelopment Work performed by the Lessee in accordance with all the terms and provisions of this Lease. Further it is specifically

understood and agreed that the Redevelopment Work Investment shall not include any amounts paid for or in connection with any trade fixtures or other personal property of the Lessee or any payment or payments on account of any administrative or other overhead costs of the Lessee whether or not allocated to the Redevelopment Work by the Lessee's own accounting practices. All records of the Lessee with respect to the Redevelopment Work Investment and as set forth in the foregoing shall be kept at all times within the Port of New York District for a period of two (2) years after the final costs of all the Redevelopment Work Investment have been submitted by the Lessee to the Port Authority or the end of the term of the letting, whichever is later, and shall be subject to the audit and inspection of the Port Authority, its representatives and employees.

"Redesignation Date" shall have the meaning set forth in Section 2B(q) hereof.

"Redesignated Airline Terminal Portion of the System" shall have the meaning set forth in Section 2B(q) hereof.

"Reference Month" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Relocation Work" shall have the meaning set forth in Section 2B(l) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Remediation Work" shall have the meaning set forth in Section 2B(b) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Remote Terminal" shall have the meaning set forth in Section 2B(a) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Rentals" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Report Date" shall have the meaning set forth in Section 57 hereof entitled "Joint Periodic Condition Survey".

"Requesting Airline" shall have the meaning set forth in Section 45 hereof entitled "Requesting Airlines at the Airport".

"Required Conditions" shall mean all of the following conditions: (i) the Redevelopment Work Completion Date shall have occurred, (ii) the Lessee shall have made a Redevelopment Work Investment in the Premises of not less that Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00), and (iii) the Premises shall contain not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody

aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of aircraft gate positions as shall satisfy the requirement for this item (iii) of the Required Conditions.

"Reserved Uses" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Resident Engineer" shall mean the person designated as the Resident Engineer at the Airport by the Chief Engineer of the Port Authority.

"Restaurant Operator" shall have the meaning set forth in Section 80 hereof entitled "Restaurant and Bar".

"Retail Bank Operator" shall have the meaning set forth in Section 86 hereof entitled "Retail Banking".

"Retail Bank Service" shall have the meaning set forth in Section 86 hereof entitled "Retail Banking".

"Retail Manager" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Return Date of the Assumable Maintenance and Repair" shall have the meaning set forth in Section 56 hereof entitled "Assumption of Maintenance and Repair of the Premises by the Port Authority".

"Revenue Seats Daily Average" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Risk-based Clean-up" shall mean (x) the use of any risk based cleanup levels or goals or other regulatory approved cleanup levels or goals in the performance of the Section 2B Work or any other work performed in, on or under the Premises, including without limitation the groundwater thereunder, during the term of the letting under this Lease, whether or not such use is approved by the Port Authority and including without limitation the Approved Cleanup Criteria and (y) any other failure to remove, remediate or clean-up any Hazardous Substance in the performance of the Section 2B Work or any other work performed in, on or under the Premises during the term of the letting under this Lease, which use or failure shall or may result in any Environmental Restriction.

"RPM" shall have the meaning set forth in Section 52 hereof entitled "Lessee's

Financial Condition - Limitation of Lease Term - Triggering Events".

"Runways" (including approaches thereto) shall mean the portion of the Airport used for the purpose of the landing and taking-off of aircraft.

"Satellite Portion Work" shall have the meaning set forth in Section 2B(q) hereof.

"Scheduled Aircraft Operator" shall mean a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no Person shall be deemed to be a Scheduled Aircraft Operator within the meaning of this Agreement unless it also holds such a permit or certificate.

"Section 2B Work" shall have the meaning set forth in Section 2B(b) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Section 2B Work Completion Date"shall have the meaning set forth in Section 2B(n) hereof entitled "Redevelopment of the Premises and Performance of the ACO Work by the Lessee".

"Site" shall collectively mean the Premises and all the locations off the Premises where the Section 2B Work is performed.

"Specified Amount" shall have the meaning set forth in Exhibit 52.1 hereof.

"Street Prices" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Street Pricing" shall have the meaning set forth in Section 79 hereof entitled "Consumer Services".

"Submissions" shall have the meaning set forth in Section 73 hereof entitled "Ground Transportation Within the Central Terminal Area".

"Subsidiary" shall mean any corporation or other Person of which securities or other interests having the power to elect a majority of the corporations's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person, are held by the Lessee or one or more of its Subsidiaries.

"Substantial Part" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Subusers" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Surrender Date" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"Surrendered Lease" shall mean that certain agreement of lease entered into between the Lessee and the Port Authority as of the eleventh day of April 1956 and bearing Port Authority Lease No. AY-581, as the same was amended and supplemented.

"Surrendered Premises" shall have the meaning set forth in Section 1 hereof entitled "Letting".

"System Costs" shall have the meaning set forth in Section 2B(q) hereof.

"System License" shall have the meaning set forth in Section 2B(q) hereof.

"System Operator" shall have the meaning set forth in Section 2B(q) hereof.

"Taking" shall have the meaning set forth in Section 18 hereof entitled "Condemnation".

"Tank" and "Tanks" shall have the meaning set forth in Section 65 entitled "Storage Tanks".

"Taxi Dispatcher Period" shall have the meaning set forth in Section 49 hereof entitled "Restrictions on Use of Passenger Terminal Frontage Roadways - Use of Airport Taxi Dispatchers and Roadway Frontage Management".

"Taxiways" shall mean the portion of the Airport used for the purpose of the ground movement of aircraft to, from and between the Runways, the Public Ramp and Apron Area, the Public Aircraft Parking and Storage Area and other portions of the Airport (not including, however, any taxiways, the exclusive use of which is granted to the Lessee or any other Person by lease, permit or otherwise).

"TDS" shall have the meaning set forth in Section 41 hereof entitled "Hot Water and Chilled Water Requirements".

"Temporary Interest" shall have the meaning set forth in Section 18 hereof entitled

"Condemnation".

"Terminal Rental" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Adjustment Period" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Commencement Date" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental CPI Percentage Increase" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Rate" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Terminal Rental Reference Month" shall have the meaning set forth in Section 4 hereof entitled "Rental".

"Total Revenue Seats" shall have the meaning set forth in Section 46 hereof entitled "Additional Rights of the Port Authority as to Portions of the Premises".

"Traffic Systems" shall have the meaning set forth in Section 10 hereof entitled "Care, Maintenance, Rebuilding and Repair by the Lessee".

"Triggering Event" and "Triggering Events" shall have the meaning set forth in Exhibit 52.1 hereof.

"Trust" shall have the meaning set forth in Section 53 hereof entitled "Assignment to a Trust".

"Unamortized Redevelopment Investment" shall mean an amount equal to the lesser of (x) Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) or (y) the Redevelopment Work Investment, after deduction from the lesser of such amount of an amount equivalent to an allowance for depreciation and amortization; such allowance to be computed on a straight-line basis from the earlier of (i) the sixth (6th) anniversary of the Effective Date or (ii) the Redevelopment Work Completion Date to the end of the average useful life thereof (as determined under generally accepted United States accounting principles) or December 27, 2015, whichever is the shorter. (It is recognized that if the term of the letting under the Lease is extended pursuant to

Section 3(c) or 3(d) of the Lease entitled "Term", then said the supplement so extending the Lease would amend the said December 27, 2015 date to reflect the new expiration date of the term of the letting hereunder.) The foregoing computation to be made shall not take into consideration the effect of accelerated amortization, if any, granted to or taken by the Lessee on its books or otherwise under the provisions of Section 168(a) of Title 26 USCA or similar legislation hereafter enacted.

"United Consent" shall mean the consent agreement entered into between and among the Port Authority, the Lessee and United Airlines, Inc. as of October 9, 1989 pursuant to which the Port Authority consented to the Lessee's occupancy of a portion of the Premises as a sublessee of United Airlines, Inc. under a sublease agreement entered into between the Lessee and United Airlines, Inc.

"Users" shall have the meaning set forth in Section 2B(q) hereof.

"Voting Security" or "Voting Securities" shall include any stock, bond or other obligation of a corporation the holder of which has any voting rights including but not limited to the right to vote for the election of members of the board of directors of said corporation and shall include any security convertible into a Voting Security and any right, option or warrant to purchase a Voting Security.

"Women-owned Business Enterprise" or "WBE" shall have the meaning set forth in Schedule E.

Section 92. Entire Agreement

This Agreement consists of the following: Lease AYB-085 and Sections 1 through 92 inclusive of this Amended and Restated Agreement of Lease and Exhibits 1.1, 1.2, 2B.1, 2B.2, 2B.3, 2B.4, 4.1, 29.1, 52.1, 59.1, 73.1, and 79.1 and Schedule E and Schedule F attached hereto. It constitutes the entire agreement of the parties on the subject matter hereof and may not be changed, modified, discharged or extended except by written instrument duly executed by the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon

the Port Authority unless expressed in writing in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the Effective Date.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By

(Title) Asst Director - Aviation

(Seal)

ATTEST:

Asst. Secretary

AMERICAN AIRLINES, INC.

By

(Title) Vice President

(Corporate Seal)

APPROVED FOR TRANSMITTAL	
FORM	TERMS

Exhibit 2B.3

JFKIA - Central Terminal Area - Remediation Cleanup Goals

SOIL

CHEMICAL	Proposed PRAGS (mg/kg)	Cleanup Criteria (mg/kg)	Basis (see notes below)
Acetone	5.5E+06	5.1E+01	Table 4-5
Benzene	6.7E-03	6.7E-03	25 yr U/M
2-Butanone	2.7E+01	2.7E+01	25 yr U/M
Ethylbenzene	1.6E+02	1.6E+02	25 yr U/M
Ethylene glycol	1.1E+08	6.0E+03	Water *
Methylene chloride	3.5E-02	3.5E-02	25 yr U/M
1,1,2,2-Tetrachloroethane	1.2E-02	1.2E-02	25 yr U/M
Tetrachloroethene	5.5E+05	1.4 E-00	TAGM, 1994
Toluene	2.3E+01	2.3E+01	25 yr U/M
Vinyl Acetate	3.8E+00	3.8E+00	25 yr U/M
Xylenes	1.1E+08	8.2E+01	Table 4-5
bis(2-Ethylhexyl)phthalate	1.1E+04	5.0E+01	TAGM, 1994
tPAHs (pyrene)	1.7E+06	5.0E+02	TAGM, 1994
cPAHs (Benzo(a)pyrene)	2.1E+01	2.1E+01	25 yr U/M

GROUND WATER

CHEMICAL	Proposed PRAGS (mg/l)	Cleanup Criteria (mg/l)	Basis (see notes below)
Acetone	6.1E+04	2.6E+01	Table 4-6
Benzene	3.4E-01	3.4E-01	25 yr U/M
2-Butanone	3.5E+03	2.6E+01	Table 4-6
Carbon disulfide	7.0E+01	7.0E+01	25 yr U/M
1,1-Dichloroethane	3.9E+03	2.6E+00	Table 4-6
Ethylbenzene	3.5E+01	3.5E+01	25 yr U/M
Ethylene glycol	7.0E+05	6.0E+03	Water *
Toluene	7.0E+01	7.0E+01	25 yr U/M
Xylenes	7.1E+03	2.5E+00	25 yr U/M
bis(2-Ethylhexyl)phthalate	2.1E+00	2.1E+00	25 yr U/M
2,4-Dimethylphenol	1.1E+02	1.1E+02	25 yr U/M
2-Methylphenol	5.9E+02	5.9E+02	25 yr U/M
tPAHs (pyrene)	3.2E+01	3.2E+01	25 yr U/M

PRAGS = Proposed Remedial Action Goals, (CTA Human Health Risk Assessment, revised April 17, 1998).
Bold-typed concentration criteria identify PRAGS where substitute criteria have been selected.
25 yr U/M refers to JFKIA CTA Human Health Risk Assessment for utility & maintenance workers @ 25 yr scenario.
Table 4-5 criteria refers to a draft Spills Div. table for contaminant leachate migration via ground water.
Table 4-6 criteria derived from a draft Spills Div. table for dilution attenuation of migrating ground water contaminants.
TAGM, 1994 refers to the Div. of Haz. Waste Remediation: Determination of Soil Cleanup Objectives & Cleanup Levels.
** Ground water criteria for ethylene glycol developed with Division of Water personnel.*

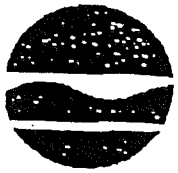
For The Port Authority

Initialled:

For the Lessee

TOTAL P.04

New York State Department of Environmental Conservation
47-40 21st Street, Long Island City, NY 11101
Telephone (718) 482-4933, extension 7120



Michael Zagata
Commissioner

June 28, 1996

Marvin Kirshner, P.E.
Chief Environmental Engineer
The Port Authority of NY & NJ
One World Trade Center
New York, N.Y. 10048

Re: Risk Assessment, Central Terminal Area, JFKIA. NYSDEC File No. R2-3519-91-02.

Dear Mr. Kirshner:

I am pleased to inform you that the department conditionally approves the Port Authority's Human Health Risk Assessment (Risk Assessment) prepared for the remediation of Terminals 1, 1A, and 3 located in the Central Terminal Area (CTA) at John F. Kennedy International Airport (JFKIA), Jamaica, Queens. The CTA Risk Assessment documentation includes the following reports and correspondence:

- *Regulatory Criteria For Soil And Groundwater*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - October 1993
- *Human Health And Ecological Risk Assessment*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - November 1993
- *Remedial Objectives And Proposed Remedial Action Goals*
  Central Terminal Area, JFK International Airport
  Malcolm Pirnie - November 1993
- February 17, 1994 letter from Marvin Kirshner to Randall Austin, Region 2 Spills, providing clarification of Risk Assessment issues
- *Comparison Of The "Health Risk Assessment" For The Central Terminal Area*
  JFK International Airport To The ASTM "Emergency Standard Guide For Risk- Based Corrective Action Applied At Petroleum Release Sites"
  Malcolm Pirnie - September 1995
- *Addendum - Central Terminal Area - JFK International Airport*
  Human Health Risk And Ecological Risk Assessment And Remedial Objectives And Proposed Remedial Action Goals
  Malcolm Pirnie - November 1995
- March 26, 1996 letter report from Marvin Kirshner to Steven Miller, Region 2 Spills, providing: *PRAGS for the Utility/Maintenance worker 25 year scenario; Protection of Aquatic Resources in Jamaica Bay; Dupuit Equation Documentation*
- April 17, 1996 correspondence from Barry Lucas to Steven Miller, Region 2 Spills, providing *revised PRAGS for the Utility/Maintenance worker 25 year scenario*

The attached table, *JFKIA - Central Terminal Area - Remediation Cleanup Goals,*

provides rational de minimis cleanup criteria for ongoing and recently completed Port Authority CTA remediation projects. The cleanup criteria accurately reflects traditional department remediation goals and objectives and is faithful to the Risk Assessment within our developing RBCA process. Chemical-specific cleanup criteria values are taken from either the Utility/Maintenance 25 year scenario or derived from alternative department sources. The Risk Assessment documentation provides a viable Site Conceptual Exposure Scenario for protection of human health and a reasonable ground water analytical model for potential contaminant migration to the CTA shoreline.

However, department approval requires that the following conditions be met:

i. Removal of all free floating product;
ii. Development of a department-approved area-weighted closure sampling plan for chemicals of concern;
iii. Development of a Risk Assessment Applicability Checklist for additional Port Authority and JFKIA tenant remediation projects in the CTA.

Please call me at the telephone number provided above if you wish to discuss this letter. Meanwhile, I will be actively pursuing conditions ii & iii with Barry Lucas, of your staff.

Very truly yours,

Steven Miller
Geologist, Spills Management

cc: *Randall Austin* - NYSDEC Spills Management
Frank Peduto - Tom Plesnarski - NYSDEC Spills Management, Central Office; *Paul Gallay* - NYSDEC Legal Affairs.
Ilzra Avilas - Mary Lee Clanton - Barry Lucas - Port Authority of NY & NJ
Denise Branch - JFKIA Environmental, Port Authority of NY & NJ; *Rich Louis* - PA JFKIA Airport Facilities Division

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Please call me at the telephone number provided above if you wish to discuss this letter. Meanwhile, I will be actively pursuing conditions ii & iii with Barry Lucas, of your staff.

Very truly yours,

Steven Miller
Geologist, Spills Management

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Ilze Avtes - Mary Lee Clanton - Barry Lucas - Port Authority of NY & NJ
Denise Branch - JFKIA Environmental, Port Authority of NY & NJ; *Rich Lauls* - PA JFKIA Airport Facilities Division

EXHIBIT 29.1

EXHIBIT H PROPERTY

The following are personal property located in Building No. 56 of the Premises. title to which shall have passed to the Port Authority upon the installation thereof as part of the Phase I Construction Work performed by the Lessee pursuant to Section 2A of Lease AYB-085.

1. New Airside Outbound Baggage Handling Facility

   (a) Baggage sortation system capable of serving all gates on Concourse D.

   (b) Ticket counter feeder belts ; and

   (c) Curbside conveyors.

2. Inbound Baggage Claim Renovation

   (a) Three new American Airlines standard widebody-capable inbound claim units.

3. Jetbridge and Ramp Upgrades in Concourse D

   (a) Five new jet bridges and foundations

   (b) Five 480v ground power units

   (c) Potable water cabinets., and

   (d) Three late bag chutes

4. Jetbridge and Ramp Upgrades in Concourse C

   (a) Two late bag chutes

The Port Authority

Initialled For:

The Lessee

SCHEDULE E

AFFIRMATIVE ACTION-EQUAL OPPORTUNITY---MINORITY BUSINESS ENTERPRISES ---WOMEN-OWNED BUSINESS ENTERPRISES REQUIREMENTS

Part I. Affirmative Action Guidelines - Equal Employment Opportunity

I. As a matter of policy the Port Authority hereby requires the Lessee and the Lessee shall require the Contractor, as hereinafter defined, to comply with the provisions set forth hereinafter in this Schedule E and in Section 2B (18) of Port Authority the Lease to which this Schedule is attached. The provisions set forth in this Part I are similar to the conditions for bidding on federal government contract adopted by the Office of Federal Contract Compliance and effective May 8, 1978.

The Lessee as well as each bidder, contractor and subcontractor of the Lessee and each subcontractor of a contractor at any tier of construction (herein collectively referred to as the "Contractor") must fully comply with the following conditions set forth herein as to each construction trade to be used on the construction work or any portion thereof (said conditions being herein called "Bid Conditions"). The Lessee hereby commits itself to the goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions. The Lessee shall likewise require the Contractor to commit itself to the said goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions by submitting a properly signed bid.

II. The Lessee and the Contractor shall each appoint an executive of its company to assume the responsibility for the implementation of the requirements, terms and conditions of the following Bid Conditions:

(a) The goals for minority and female participation expressed in percentage terms for the Contractor's aggregate workforce in each trade on all construction work are as follows:

(1) Minority participation

Minority, except laborers	30%
Minority, laborers	40%

(2) Female participation

Female, except laborers	6.9%
Female, laborers	6.9%

These goals are applicable to all the Contractor's construction work performed in and for the Premises.

The Contractor's specific affirmative action obligations required herein of minority and female employment and training must be substantially uniform throughout the length of the contract, and in each trade, and the Contractor shall make good faith efforts to employ minorities and women evenly on each of its projects. The transfer of minority or female employees or trainees from contractor to contractor or from project to project for the sole purpose of meeting the Contractor's goals shall be a violation of the contract. Compliance with the goals will be measured against the total work hours performed.

(b) The Contractor shall provide written notification to the Lessee and the Lessee shall provide written notification to the Port Authority's Aviation Department and Office of Business and Job Opportunity within 10 working days of award of any construction subcontract in excess of $10,000 at any tier for construction work. The notification shall list the name, address and telephone number of the subcontractor; employer identification number; estimated starting and completion dates of the subcontract; and the geographical area in which the subcontract is to be performed.

(c) As used in these specifications:

(1) "Employer identification number" means the Federal Social Security number used on the Employer's Quarterly Federal Tax Return, U.S. Treasury Department Form 941:

(2) "Minority" includes:

(i) Black (all persons having origins in any of the Black African racial groups not of Hispanic origin);

(ii) Hispanic (all persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American culture or origin, regardless of race);

(iii) Asian and Pacific Islander (all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and

(iv) American Indian or Alaskan Native (all persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification).

(d) Whenever the Contractor, or any subcontractor at any tier, subcontracts a portion of the construction work involving any construction trade, it shall physically include in each subcontract in excess of $10,000 those provisions which include the applicable goals for minority and female participation.

(e) The Contractor shall implement the specific affirmative action standards provided in subparagraphs (1) through (16) of Paragraph (h) hereof. The goals set forth above are expressed as percentages of the total hours of employment and training of minority and female utilization the Contractor should reasonably be able to achieve in each construction trade in which it has employees in the Premises. The Contractor is expected to make substantially uniform progress toward its goals in each craft during the period specified.

(f) Neither the provisions of any collective bargaining agreement, nor the failure by a union with whom the Contractor has a collective bargaining agreement, to refer either minorities or women shall excuse the Contractor's obligations hereunder.

(g) In order for the nonworking training hours of apprentices and trainees to be counted in meeting the goals, such apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training subject to the availability of employment opportunities. Trainees must be trained pursuant to training programs approved by the U.S. Department of Labor.

(h) The Contractor shall take specific affirmative actions to ensure equal employment opportunity ("EEO").

The evaluation of the Contractor's compliance with these provisions shall be based upon its good faith efforts to achieve maximum results from its actions. The Contractor shall document these efforts fully, and shall implement affirmative action steps at least as extensive as the following:

(1) Ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which the Contractor's employees are assigned to work. The Contractor, where possible, will assign two or more women to each phase of the construction project. The Contractor, shall specifically ensure that all foremen, superintendents, and other supervisory personnel at the Premises are aware of and carry out the Contractor's obligation to maintain such a working environment, with specific attention to minority or female individuals working at the Premises.

(2) Establish and maintain a current list of minority and female recruitment sources, provide written notification to minority and female recruitment sources and to community organizations when the Contractor or its unions have employment opportunities available, and maintain a record of the organizations' responses.

(3) Maintain a current file of the names, addresses and telephone numbers of each minority and female off-the-street applicant and minority or female referral from a union, a recruitment source or community organization and of what action was taken with respect to each such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by the union or, if referred, not employed by the Contractor, this shall be documented in the file with the reason therefor, along with whatever additional actions the Contractor may have taken.

(4) Provide immediate written notification to the Lessee when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority person or woman sent by the Contractor, or when the Contractor has other information that the union referral process has impeded the Contractor's efforts to meet its obligations.

(5) Develop on-the-job training opportunities and/or participate in training programs for the area which expressly include minorities and women, including upgrading programs and apprenticeship and training programs relevant to the Contractor's employment needs, especially those programs funded or approved by the Department of Labor. The Contractor shall provide notice of these programs to the sources compiled under subparagraph (2) above.

(6) Disseminate the Contractor's EEO Policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the Contractor's newspaper, annual report, etc.; by specific review of the policy with all management personnel and with all minority and female employees at least once a year; and by posting the Contractor's EEO policy on bulletin boards accessible to all employees at each location where construction work is performed.

(7) Review, at least every six months the Contractor's EEO policy and affirmative action obligations hereunder with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decision including specific review of these items with on-Premises supervisory personnel such as Superintendents, General Foremen, etc., prior to the initiation of construction work at the Premises. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed, and disposition of the subject matter.

(8) Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other Contractors and Subcontractors with whom the Contractor does or anticipates doing business.

(9) Direct its recruitment efforts, both oral and written, to minority, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations and to State-certified minority referral agencies serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures, and tests to be used in the selection process.

(10) Encourage present minority and female employees to recruit other minority persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the Premises and in areas of a Contractor's workforce.

(11) Tests and other selecting requirements shall comply with 41 CFR Part 60-3.

(12) Conduct, at least every six months, an inventory and evaluation of all minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training, etc., such opportunities.

(13) Ensure that seniority practices, job classifications, work assignments and other personnel practices, do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations hereunder are being carried out.

(14) Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be provided to assure privacy between the sexes.

(15) Document and maintain a record of all solicitations of offers for subcontracts from minority and female construction contractors and suppliers, including circulation of solicitations to minority and female contractor associations and other business associations.

(16) Conduct a review, at least every six months, of all supervisors' adherence to and performance under the Contractors' EEO policies and affirmative action obligations.

(i) Contractors are encouraged to participate in voluntary associations which assist in fulfilling one or more of their affirmative action obligations (subparagraphs (1)-(16) of Paragraph (h) above). The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under Paragraph (h) hereof provided that: the

Contractor actively participates in the group, makes good faith efforts to assure that the group has a positive impact on the employment of minorities and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female workforce participation, makes good faith efforts to meet its individual goals and timetables, and can provide access to documentation which demonstrates the effectiveness of actions taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's and failure of such a group to fulfill an obligation shall not be a defense for the Contractor's non-compliance.

(j) A single goal for minorities and a separate single goal for women have been established. The Contractor, however, is required to provide equal opportunity and to take affirmative action for all minority groups, both male and female, and all women, both minority and non-minority. Consequently, the Contractor may be in violation hereof if a particular group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goals for women generally, the Contractor may be in violation hereof if a specific minority group of women is underutilized).

(k) The Contractor shall not use the goals and timetables or affirmative action standards to discriminate against any person because of race, color, religion, sex or national origin.

(l) The Contractor shall not enter into any subcontract with any person or firm debarred from Government contracts pursuant to Executive Order 11246.

(m) The Contractor shall carry out such sanctions and penalties for violation of this clause including suspension, termination and cancellation of existing subcontracts as may be imposed or ordered by the Lessee. Any Contractor who fails to carry out such sanctions and penalties shall be in violation hereof.

(n) The Contractor, in fulfilling its obligations hereunder shall implement specific affirmative actions steps, at least as extensive as those standards prescribed in paragraph (h) hereof so as to achieve maximum results from its efforts to ensure equal employment opportunity. If the Contractor fails to comply with the requirements of these provisions, the Lessee shall proceed accordingly.

(o) The Contractor shall designate a responsible official to monitor all employment related activity to ensure that the company EEO policy is being carried out, to submit reports relating to the provisions hereof as may be required and to keep records. Records shall at least include for each employee the name, address, telephone numbers, construction trade, union affiliation if any, employee identification number when assigned, social security number, race, sex, status (e.g. mechanical apprentice, trainee, helper, or laborer), dates of changes in status, hours worked per week in the indicated trade, rate of pay, and location at which the work is performed. Records shall be maintained in an easily understandable and retrievable form; however, to the degree that existing records satisfy this requirement, contractors shall not be required to maintain separate records.

(p) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents (e.g., those under the Public Works Employment Act of 1977 and the Community Development Block Grant Program).

(q) Without limiting any other obligation, term or provision under the Lease, the Contractor shall cooperate with all federal, state or local agencies established for the purpose of implementing affirmative action compliance programs and shall comply with all procedures and guidelines established or which may be established by the Port Authority.

PART II. MINORITY BUSINESS ENTERPRISES AND WOMEN-OWNED BUSINESS ENTERPRISES

As a matter of policy the Port Authority requires the Lessee and the Lessee shall itself and shall require the general contractor or other construction supervisor and each of the Lessee's contractors to use every good faith effort to provide for meaningful participation by Minority Business Enterprises (MBEs) and Women-owned Business Enterprises (WBEs) in the construction work pursuant to the provisions of this Schedule E. For purposes hereof, "Minority Business Enterprise" "(MBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by citizens or permanent resident aliens who are minorities and such ownership is real, substantial and continuing. For the purposes hereof, "Women-owned Business Enterprise" "(WBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by women and such ownership is real, substantial and continuing. A minority shall be as defined in paragraph II(c) of Part I of this Schedule E. "Meaningful participation" shall mean that at least seventeen percent (17%) of the total dollar value of the construction contracts (including subcontracts) covering the construction work are for the participation of Minority Business Enterprises and Women-owned Business Enterprises, of which at least twelve percent (12%) are for the participation of Minority Business Enterprises. Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(a) Dividing the work to be subcontracted into smaller portions where feasible.

(b) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBEs, including circulation of solicitations to minority and female contractor associations. The Contractor shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation in the work, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(c) Making plans and specifications for prospective construction work available to MBEs and WBEs in sufficient time for review.

(d) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(e) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that the Lessee and Contractor will meet their obligations hereunder.

(f) Insuring that provision is made to provide progress payments to MBEs and WBEs on a timely basis, preferably bi-weekly, and that retainage it paid to MBEs and WBEs when they have completed their work.

(g) Not requiring bonds from and/or providing bonds and insurance for MBEs and WBEs, where appropriate.

(h) Requiring each contractor to submit to the Lessee with each payment request evidence that all MBE and WBE Contractors have been paid in accordance with their contract.

Certification of MBEs and WBEs hereunder shall be made by the Office of Business and Job Opportunity of the Port Authority. If the Contractor wishes to utilize a firm not already certified by the Port Authority, it shall submit to the Port Authority a written request for a determination that the proposed firm is eligible for certification. This shall be done by completing and forwarding such form as may be then required by the Port Authority. All such requests shall be in writing addressed to the Office of Business and Job Opportunity, the Port Authority of New York and New Jersey, One World Trade Center, 63 East, New York, New York 10048 or such other address as the Port Authority may specify by notice to the Lessee. Certification shall be effective only if made in writing the Director in charge of the Office of Business and Job Opportunity of the Port Authority. The determination of the Port Authority shall be final and binding.

The Port Authority has compiled a list of the firms that the Port Authority has determined satisfy the criteria for MBE and WBE certification. This list may be supplemented and revised from time to time by the Port Authority. Such list shall be made available to the Contractor upon request. The Port Authority makes no representation as the financial responsibility of such firms, their technical competence to perform, or any other performance-related qualifications.

Only MBE's and WBE's certified by the Port Authority will count toward the MBE and WBE goals.

Please note that only sixty percent (60%) of expenditures to MBE or WBE suppliers will count towards meeting the MBE and WBE goals. However, expenditures to MBE or WBE manufacturer's (i.e. suppliers that produce goods from raw materials or substantially alter them

before resale) are counted dollar for dollar.

For the Port Authority

Initialled:

For the Lessee

SCHEDULE F

LOCAL BUSINESS ENTERPRISES COMMITMENT

As a matter of policy the Port Authority hereby requires the Lessee and the Lessee shall require any Contractor utilized by the Lessee to perform construction work on the Premises to comply with the provisions set forth hereinafter in this Schedule F.

(1) The Lessee and each Contractor shall use every good faith effort to maximize the participation of Local Business Enterprises (LBEs) in all construction work on the Premises, including without limitation the Section 2B Work. In order to assure familiarity with the services and materials provided by LBEs, the Contractor shall attend such meetings as may be called by the General Manager of the Airport on LBEs and shall contact the Queens Air Services Development Office (ASDO), located at John F. Kennedy International Airport, Bldg. 80, First Floor, South Service Court, Jamaica, NY 11430 to obtain LBE Vendor Profiles and access ASDO's on-line vendor retrieval system (BASIS). The Port Authority has not checked the references, capabilities or financial background of the LBEs registered with the ASDO, but is referring the Contractor to the ASDO and BASIS solely for the purpose of advising Contractors of LBDs who may be interested in providing services and/or materials to the Contractor.

(2) Good faith efforts to include participation by LBEs in construction work shall include at least the following:

(i) Dividing the work to be subcontracted and services and materials to be procured into small portions, where feasible.

(ii) Soliciting bids on portions of the work to be subcontracted and services and materials to be procured from LBE's registered with ASDO and such other LBEs as the Contractor deems appropriate.

(3) The Port Authority is committed to making employment opportunities available to local residents and expects that the Contractor will utilized LBEs.

(4) It is specifically understood and agreed that the requirements set forth herein for the participation of LBEs shall not alter, limit, diminish or modify any of the obligations under

this Lease including, without limitation, the obligation to put into effect the affirmative action program and the MBE and WBE programs in accordance with the provisions set forth above in Schedule E hereof.

For the Port Authority

Initialled:

For the Lessee

Final AYB-085 Dated 12/21/00

Form - All-Purpose Ack. N.Y. (rev 1/4/2000)

FOR THE PORT AUTHORITY

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 29th day of Dec. in the year 2000, before me, the undersigned, a Notary Public in and for said state, personally appeared F. DiMola , personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Karen E. Eastman
(notarial seal and stamp)
KAREN E. EASTMAN
Notary Public, State of New York
Qualified in New York County
No. 01EA4766314
Commission Expires 2/28/2003

FOR THE LESSEE

STATE OF Texas)
) ss.
COUNTY OF Tarrant)

On the 21st day of December in the year 2000, before me, the undersigned, a Notary Public in and for said state, personally appeared Gary F. Kennedy , personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Sandra S. Symanovich
(notarial seal and stamp)

SANDRA S. SYMANOVICH
Notary Public, State of Texas
My Commission Expires 05-09-04

FAX

Date 10/30/00

Number of pages including cover sheet

TO: Doug Hore

Phone

Fax Phone (617) 967-3111

CC:

FROM: Tom Maher
The Port Authority of NY & NJ
Property Development & Mgt.
Building #14, 2nd Floor
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Jamaica, NY 11430

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REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please Comment

Draft Dated 11/1/00

RECEIVED
NOV 2 - 2000
CORPORATE REAL ESTATE

November 1, 2000

American Airlines, Inc.
MD 5317
4333 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 6 TO LETTER AGREEMENT - CONSTRUCTION APPLICATIONS Y-7100.07, Y-7100.08, Y-7100.09, Y-7100.11, Y-7100.12, Y-7100.14, Y-7100.17, Y-7100.18 and Y-7411

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.03, Y-7100.04, Y-7100.05, Y- 7251,Y-7252 and Y-7254.

American has previously filed with the Port Authority for approval construction application no. Y-7100.07 covering the construction of an underground tunnel, and construction application no. Y-7100.08 covering the construction of certain piles and foundation work, and construction application no. Y-7100.09 covering the construction of a temporary walkway between Terminals 8 and 9 and the demolition of the east side of Terminal 9 and Concourse C, and construction application no. Y-7100.11 covering the construction of landside roads and elevated roadway structures, and construction application no. Y-7100.12 covering the relocation of certain aircraft fueling distribution lines, and construction application no. Y-7100.14 covering

the installation of a 5KV high voltage pre-purchase package, and construction application no. Y-7100.17 covering the construction of a new Concourse C, and construction application no. Y-7100.18 covering the mechanical, electrical, plumbing and fire protection work for new Concourse C, and construction application no. Y-7411 covering the fabrication and installation of a baggage conveyor system within the new temporary baggage facility, all in connection with American's proposed Redevelopment Work (as defined in the Letter Agreement), said applications as submitted by American but not approved by the Port Authority are hereinafter respectively called "Construction Application Y-7100.07", "Construction Application Y-7100.08", "Construction Application Y-7100.09", "Construction Application Y-7100.11" "Construction Application Y-7100.12", "Construction Application Y-7100.14", "Construction Application Y-7100.17","Construction Application Y-7100.18" and "Construction Application Y-7411" and collectively called the "Supplement No. 6 Construction Applications".

American has requested that it be allowed to perform the work under the Supplement No. 6 Construction Applications at its sole cost and expense to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment Plan (as defined in the Letter Agreement) and the Redevelopment Work are approved by the Port Authority, even though a final draft of the Proposed Agreement has not been prepared or the Proposed Agreement duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under the Supplement No. 6 Construction Applications, if, when and as approved by the Port Authority, as part of the "Preparation Work" under the Letter Agreement as herein amended. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of November 1, 2000, the Letter Agreement, as previously amended, shall be further amended as follows:

(a) Paragraph 3 thereof shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04

covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.07 covering the construction of an underground tunnel as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.08 covering the construction of certain piles and foundations as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.09 covering the construction of a temporary walkway and certain demolition work at Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.11 covering the construction of landside roads and elevated roadway structures as set forth in said application, and construction application no. Y-7100.12 covering the relocation of certain aircraft fueling distribution lines, and construction application no. Y-7100.14 covering the installation of a 5KV high voltage pre-purchase package, and construction application no. Y-7100.17 covering the construction of a new Concourse C, and construction application no. Y-7100.18 covering the mechanical, electrical, plumbing and fire protection work for new Concourse C, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7251 covering the construction of a temporary outbound bag room as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7252 covering the construction of a temporary hold room as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7254 covering the relocation of jetbridges from Concourse C to Concourse D at Terminal 9 as set forth in said application, and construction application no. Y-7411 covering the fabrication and installation of a baggage conveyor system within the new temporary baggage facility (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until

approved by the Port Authority. American shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.03 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.07 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.08 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.09 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.11 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.12 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.14 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.17 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.18 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7251 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7252 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7254 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7411 until said construction application is approved by the Port Authority , it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the

Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease."

(b) Paragraph 6 of the Letter Agreement shall be amended to read as follows:

"6. (a) American acknowledges that the Port Authority as well as other users, lessees, tenants, airport patrons and invitees and others will be continuing their operations in the Central Terminal Area ("CTA") during the period of time American is performing the Preparation Work hereunder and that this will involve among other things inconvenience, noise, dust, interference and disturbance to said operations and possibly other risks as well. American further acknowledges that the Preparation Work hereunder will impact traffic flow and control on the roadways in the CTA as well as the terminal frontage roads in front of the Premises and the use thereof by customers, patrons, invitees and employees. American hereby expressly assumes all of the foregoing risks. Without limiting the foregoing, American shall and expressly hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Preparation Work and each portion thereof in such a manner so as to minimize the impact and any disruption resulting therefrom on said operations and on traffic control and traffic flow in the CTA. American shall, without limiting any other term or provision hereof, communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users, lessees, tenants, airport patrons, invitees and others in all aspects of the Preparation Work, and American shall coordinate and work in harmony with all said persons, including without limitation the users and occupants of the Premises and Port Authority contractors. American shall also communicate and cooperate (and require each of its contractors to communicate and cooperate) with all ground transportation operators and providers including all taxi, limousine and bus operators throughout the entire period of time of the performance of the Preparation Work. American shall include in each of its contracts and subcontracts covering the Preparation Work or any portion thereof the foregoing requirements for minimization of disruption and for contractor cooperation, communication and coordination.

(b) American shall perform and schedule and shall require each of its contractors and subcontractors to perform and schedule the Preparation Work with a high degree of coordination with the Port Authority's plans and schedules for the construction of the AirTrain and the plans and schedules for utility work at the Airport and

American shall at all times during the construction of the AirTrain and such utility work cooperate and communicate and shall require each of it contractors and subcontractors to cooperate and communicate with the Port Authority and the Port Authority's contractors, including without limitation, the contractor for the AirTrain and the contractor(s) performing such utility work. American shall include in each of its contracts and subcontracts covering the Preparation Work or any portion thereof the foregoing requirements for contractor cooperation, communication and coordination.

(c) In order to ensure appropriate levels of service to the users, occupants, and Airport patrons and others using the Airport during the performance of the Preparation Work, American, not less than sixty (60) days prior to the commencement of any portion of the Preparation Work and the implementation of each construction stage, shall prepare and submit to the Port Authority for its prior approval a temporary construction program (including, but not limited to, drawings, sketches, schedules and narrative descriptions) which sets forth plans for the continuing provision of all patron services and landside operations at or adjacent to the Premises. Without limiting any other term or provision hereof, any temporary construction is and shall be subject to Paragraph 10 hereof, including, but not limited to, certifications of American and American's licensed architect or engineer and the issuance of a certificate of completion therefor by the Port Authority."

(c) The first sentence of Paragraph 4(q)(2) of the Letter Agreement shall be amended to read as follows:

"The performance by American of the Preparation Work will be at its sole risk and if for any reason the Proposed Redevelopment Plan or the plans and specifications for any Pending Construction Application or for the Redevelopment Work are not approved by the Port Authority or if the approval thereof calls for modifications or changes in the Preparation Work undertaken by American, American will, as directed by the Port Authority, at its sole cost and expense, either restore and rebuild the Premises (subject to Section 33 of the Lease) to a condition ~~of at least~~ equal function, utility, efficiency and capacity as that existing prior to the performance of any of the Preparation Work and as required and approved by the Port Authority or make such modifications and changes in any such Preparation Work as may be required by the Port Authority."

(d) Paragraph 13 of the Letter Agreement shall be amended as follows:

(i) Paragraph (a) thereof shall be amended by inserting the phrase, ", and American may be required to restore and rebuild the Premises as provided for herein" in the twenty-fourth (24th) line thereof immediately after the phrase "may ever be

performed" and before the period appearing in said 24th line.

(ii) Paragraph (a) thereof shall further amended by inserting the phrase, "including without limitation any based upon unjust enrichment" immediately after the word "proceeding" and before the word "because" appearing in the fourth (4th) to the last line thereof.

(iii) A new paragraph (c) shall be inserted at the end thereof to read as follows:

"(c) American specifically acknowledges and agrees that the Port Authority shall have the right, without cause, to require American to suspend or to cease the performance of the Preparation Work or any portion thereof and thereafter to require American to restore and rebuild the Premises to a condition of ~~at least equal~~ function, utility, efficiency and capacity as that existing prior to the performance of any of the Preparation Work as required by the Port Authority which right may be exercised by the Port Authority at any time, and upon receipt of a written notice from the Port Authority to such effect, American shall at the sole cost and expense of American promptly and expeditiously, subject to Section 33 hereof, restore and rebuild the Premises to such function, utility, efficiency and capacity and as required and approved by the Port Authority."

(e) Paragraph 4(k) of the Letter Agreement shall be amended as follows:

(i) The phrase, "and including the Port Authority as an Insured, as Owner" shall be inserted in the seventh (7th) line from the end of page 8 after the word "Work" and before the comma appearing therein.

(ii) The twentieth (20th) line of paragraph (k) thereof shall be amended by inserting the number and letter "27(b)" immediately after the number "17" and the first "and" appearing therein.

(iii) Paragraph (k) thereof shall be further amended by deleting the last paragraph thereof setting forth the minimum limits for Pollution Liability Insurance commencing with the heading "Pollution Liability" and ending with the amount "$10,000,000.00" and the following new paragraph shall be inserted in lieu thereof:

"Pollution Liability
Combined single limit per occurrence

for death, bodily injury and property damage liability for both gradual and sudden occurrences and both on-site and off-site cleanup: $10,000,000.00"

(f) The following new paragraphs 27 and 28 shall be and be deemed to be added thereto to read as follows:

"27. (a) The following terms when used in this Letter Agreement shall have the respective meanings given below:

(i) "Abandoned Fuel Lines" shall mean any portion of the System which is taken out of service as part of the Fuel Lines Work and is abandoned in place or is abandoned and removed from the Airport as a part of the Fuel Lines Work.

(ii) "Acceptance Date" shall mean with respect to each portion of the Distribution Portion Work, the date appearing on the certificate delivered to American by the Port Authority pursuant to sub-paragraph (c) of this paragraph 27 covering such portion of the Distribution Portion Work and shall mean with respect to each portion of the Satellite Portion Work, the date appearing on the certificate delivered to American by the Port Authority pursuant to sub-paragraph (c) of this paragraph 27 covering such portion of the Satellite Portion Work.

(iii) "Affected Distribution Lines" shall mean the Premises Distribution Lines and the Non-Premises Distribution Lines.

(iv) "Airport Fueling Agreements" shall mean the General Airport Agreement (which agreement is one of several general airport agreements which have been entered into by the Port Authority with other Aircraft Operators and is together with the other general airport agreements commonly known as the "Dewey Leases"), the other Dewey Leases and any other agreements covering aircraft fueling at the Airport which are contemplated by the Dewey Leases, it being understood and agreed that the term "Dewey Leases" shall continue to include such leases upon the expiration thereof as the same may continue to be operative.

(v) "Airline Terminal Portion Work" shall mean the New Isolation Valves, all portions of the Fuel Lines Work located on the demand side of the New Isolation Valves such as but not limited to underground pipe lines, hydrant boxes and related facilities and appurtenances (except for hydrant valves), and all other Fuel Lines Work that is performed on the Premises and that is not Distribution Portion Work.

(vi) "Distribution Portion Work" shall mean (x) that portion of the Fuel Lines Work which is performed on that portion of the Distribution Portion of the System (as such term is defined in Section 4.021 of the General Airport Agreement) that shall not become a portion of the Redesignated Airline Terminal Portion of the System, (y) the New Non-Premises Distribution Lines (as defined in subparagraph (b) hereof), and (z) all hydrant valves installed as part of the Fuel Lines Work.

(vii) "Fuel Line Risks" shall mean any and all risks, costs, expenses, damages, responsibilities and liabilities arising out of, in connection with or resulting from the Fuel Lines Work, the New System Components, the Inert Lines or the Abandoned Fuel Lines, including but not limited to, all Defects (as such term is defined in subparagraph (x) hereof), the failure to have, or the inclusion of (whether proper or improper), any maintenance, repair, replacement, operation or other costs or expenses incurred in connection with the New System Components, the Abandoned Lines or the Inert Lines included in the System Costs, or the failure or refusal of the Users or any of them to pay any such costs or expenses, or the failure to obtain the agreement or approval of the Other Users for the Fuel Lines Work, including without limitation the payment of the costs thereof and its design.

(viii) "Fuel Line Work" shall have the meaning set forth in subparagraph (b) hereof.

(ix) "Inert Fuel Lines" shall mean the Distribution Portion of Premises Distribution Lines 403-3 and 408-3 (as shown on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit A" and which exhibit is herein referred to as "Exhibit A") which as part of the Fuel Lines Work are capped, rendered inert and taken out of service but are not abandoned.

(x) "New Isolation Valves" shall mean all of the isolation valves to be constructed and installed by American in proposed Isolation Valve Vault IW-C6 with respect to Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 as shown on Exhibit A as part of the Fuel Lines Work.

(xi) "New System Components" shall collectively mean the Airline Terminal Portion Work, the Distribution Portion Work and the Satellite Portion Work.

(xii) "Non-Premises Distribution Lines" shall mean all of those distribution fuel lines identified on Exhibit A as Line 401-1, Line 401-2, Line 401-3, Line 409-01, Line 409-02 and Line 409-03 as such Lines recommence at the dike wall of the

Satellite Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) and their related facilities and appurtenances.

(xiii) "Other Users" shall mean all Users except for American.

(xiv) "Permitted Modification" shall mean a modification, relocation, alteration, addition, replacement or capital improvement made to the System by any person, provided, however, that (i) the costs and expenses of such modification, relocation, alteration, addition, replacement or capital improvement are not includable or included in Systems Costs by reason that one or more persons have agreed to pay for such costs and expenses (which person may be one of the Users and if so such agreement to pay such costs and expenses has not been made by such person pursuant to the Airport Fueling Agreements) or was performed by or on behalf of the Port Authority and is not "An Additional Facility Improvement" (as such term is defined in Section 4.021 of the General Airport Agreement) and/or the Port Authority has not proposed to American or the other Basic Aircraft Operators (as such term is used in Section 12.14 of the General Airport Agreement) that such modification, relocation, alteration, addition, replacement or capital improvement be made to the Distribution Portion of the System pursuant to Section 4.021 K. of the General Airport Agreement and/or is any other work which is not included or includable in System Costs pursuant to the Dewey Leases **(What about Ogden?)** and (ii) such modification, relocation, alteration, addition, replacement or capital improvement shall have been approved or performed by the Port Authority.

(xv) "Premises Distribution Line" shall mean any of and "Premises Distribution Lines" shall mean all of those distribution fuel lines identified as Line 403-1, Line 403-2, Line 403-3, Line 408-01, Line 408-02 and Line 408-03 on Exhibit A as such Lines recommence at the dike wall of the Satellite Portion of the System and their related facilities and appurtenances.

(xvi) "Redesignation Date" shall mean with respect to each Premises Distribution Line the date that American shall first commence any of the Fuel Lines Work with respect to such Premises Distribution Line.

(xvii) "Redesignated Airline Terminal Portion of the System" shall mean all portions of Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2 existing prior to the commencement of the Fuel Lines Work and located on the demand side of the place where New Isolation Valves are to be installed and all portions of Premises Distribution Lines 403-3 and 408-3 located on the demand side of the points identified as the "Distribution Line End Points" on Exhibit A where the caps are to be installed on such Lines as part of the Fuel Lines Work but the Redesignated Airline

Terminal Portion of the System shall not include such caps.

(xviii) "Satellite Portion Work" shall mean that portion of the Fuel Lines Work, if any, that is performed at the Satellite Portion of the System.

(xix) "System Operator" shall mean Ogden New York Services, Inc., the Port Authority's independent Contractor presently operating the System or any other person who shall operate, repair or maintain the System pursuant to the Dewey Leases.

(xx) "System Costs" shall mean all costs and expenses incurred in connection with the System, including without limitation capital, operation, maintenance and repair costs and expenses, paid or to be paid for collectively by the Users pursuant to the Airport Fueling Agreements (including without limitation Sections 4.02 and 4.021 of the Dewey Leases).

(xxi) "System License" shall mean the Major Petroleum Facility License issued by the New York State Department of Environmental Conservation bearing license number 2-2380 covering the bulk storage area (as such term is used in the General Airport Agreement), and each and every successor or extension to or replacement of such license and any other license, registration or permit covering or with respect to the bulk storage area, the Satellite Portion or the Distribution Portion required by any Environmental Requirement.

(xxii) "Users" shall mean any persons who use the System or are obligated (whether by agreement or otherwise) to pay any System Costs.

(b) As part of American's Preparation Work, American has advised the Port Authority that it desires to relocate and abandon portions of the Affected Distribution Lines located on the Premises as well as make certain replacements and modifications to the Satellite Portion of the System and other portions of the Distribution Portion of the System as shall be required, necessary or desirable for such relocation and abandonment (any work performed on the System and any replacements and abandonment of the System to be performed by American as part of the Preparation Work and which may be approved by the Port Authority pursuant to this Letter Agreement and as the same may be approved by the Port Authority being herein referred to as the "Fuel Lines Work"). The proposed relocation and abandonment work includes among other items the construction of new replacement distribution fuel lines in connection with American's proposed construction of a new sewer line in the vicinity of proposed Isolation Valve Vault IW-C6 and in connection with American's proposed construction of a tunnel in the vicinity as generally

shown on Exhibit A (which new distribution fuel lines which exclusively serve the Premises and their related facilities and appurtenances are herein called the "New Premises Fuel Lines" and which new distribution fuel lines which do not serve the Premises and their related facilities and appurtenances are herein called the "New Non-Premises Distribution Lines"), the capping, abandonment and removal of certain portions of the Affected Distribution Lines, and the construction of a new isolation valve vault in the location shown on Exhibit A and identified as "Isolation Valve Vault IW-C6". All Fuel Lines Work performed by American shall be performed subject to and in accordance the following additional terms and conditions:

(i) All Fuel Lines Work shall be performed at the sole cost and expense of American and, further, American agrees that if any costs and expenses for the repair, operation, replacement, maintenance or use of the Distribution Portion Work, the Satellite Portion Work or the Inert Lines for any reason whatsoever are not included or includable in or not allowed to become a part of, the System Costs, that American shall bear and pay for any and all such costs and expenses. In addition, all of the Distribution Portion of the System which is taken out of service and abandoned as part of the Fuel Lines Work shall be removed from the Airport by American as a part of the Fuel Lines Work.

(ii) The Fuel Lines Work shall be performed in accordance with all the terms and conditions of the Lease, this Letter Agreement and of the General Airport Agreement.

(iii) In addition to and without limiting the obligations set forth in paragraph 6(c) of this Letter Agreement, all portions of the Fuel Lines Work which under the Airport Fueling Agreements are to be performed by the System Operator, such as but not limited to all testing and flushing of the System and the Fuel Lines Work, shall be performed by the System Operator on behalf of American and at American's sole cost and expense. American shall assure that the costs and expenses of all Fuel Lines Work are separately allocated and billed to American by each of its contractors, including without limitation, by the System Operator, and in no event are any such costs and expenses to be allocated or billed as, or to become a part of, System Costs. Further, American shall communicate and cooperate (and require each of its contractors to communicate and cooperate) with the System Operator in all aspects of the Fuel Lines Work and shall coordinate the performance of the Fuel Lines Work with the System Operator. American shall include in each of its contracts and subcontracts covering the Fuel Lines Work or any portion thereof the foregoing requirements for cooperation, communication, coordination, allocation and billing.

(iv) American shall in the performance of the Fuel Lines Work and in fulfillment of its obligations pursuant to subparagraph (x) hereof, minimize to the greatest

extent possible any disruption, interruption, delay or interference in the operation, performance, maintenance, repair or use of the System. To that end, prior to American's commencement of the Fuel Lines Work or any portion thereof, American shall submit to the Port Authority for the Port Authority's approval a plan to accomplish the foregoing and shall revise and update such plan as desirable or required throughout the performance of the Fuel Lines Work. Such plan shall include without limitation the sequencing and scheduling of all shut downs of any portion of the System such as but not limited to the sequencing and scheduling of all work to tie-in any portion of the Fuel Lines Work to the System and flush and test the Fuel Lines Work, and shall provide that only one of the Affected Distribution Lines shall be out of service at the same time and that no section of the System shall be taken or kept out of service during peak travel periods. Further, such plan shall include actions and procedures to be undertaken and followed in the event of any unscheduled or unexpected shut down or disruption of or interference with the operation or use of the of the System. American understands and agrees that no approval of the Port Authority shall relieve or release American from its obligations under this subparagraph (iv). The Port Authority shall have the right from time to time to require American to make changes to the plan and American shall comply therewith and with any and all such required changes.

(v) All Fuel Lines Work shall comply in all respects with the System License and all other Environmental Requirements and American shall take all actions to ensure such compliance. Further, if required or permitted by the New York State Department of Environmental Conservation or any other applicable Governmental Authority, American shall register, license and/or permit the Airline Terminal Portion of the System in accordance with Environmental Requirements in the name of American as the owner thereof and the System Operator as the operator thereof.

(vi) Notwithstanding paragraph 10 of this Letter Agreement, title to the Airline Terminal Portion Work shall remain in American as the same or any part thereof is erected, constructed or installed and upon such erection, construction or installation the same shall be and become a part of the Airline Terminal Portion of the System for the purposes of this Agreement and the Airport Fueling Agreements including without limitation American assuming all risks, costs, expenses, responsibilities and liabilities in connection therewith and the same shall be and become a Tank (as such term is defined in Section 93 of the Lease entitled "Fuel Storage Tanks") and all the terms and conditions of Section 93 shall apply thereto.

(vii) Notwithstanding any terms or conditions in the Airport Fueling Agreements to the contrary, effective as of the Redesignation Date with respect to each Premises Distribution Line, that portion of such Premises Distribution Line constituting a

portion of the Redesignated Airline Terminal Portion of the System shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Airline Terminal Portion of the System and a Tank and all the terms and conditions of Section 93 hereof shall apply thereto. Without limiting the generality of any other term or provision of this Agreement, from and after the Redesignation Date for each such Redesignated Airline Terminal Portion of the System, such Redesignated Airline Terminal Portion of the System shall no longer be or be deem to be a part of the Distribution Portion of the System and American shall take title to the same in its "as is" condition and shall release and relieve the Port Authority and Other Users from and shall assume all risks, costs, expenses, responsibilities and liabilities in connection with such Redesignated Airline Terminal Portion of the System.

(viii) Title to all the Distribution Portion Work and the Satellite Portion Work shall pass to the City of New York as the same or any portion thereof is erected, constructed and installed and effective upon the Acceptance Date of each portion of the Distribution Portion Work, such Distribution Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Distribution Portion of the System and effective upon the Acceptance Date of each portion of the Satellite Portion Work, such Satellite Portion Work shall be and become for the purposes of this Agreement and of the Airport Fueling Agreements a part of the Satellite Portion of the System.

(ix) American hereby agrees as the Lessee under the Lease, as the lessee under the General Airport Agreement and as a User and in addition to and without limiting its obligations under subparagraphs (x) and (xi) hereof, that it shall not object to, challenge or make any claim or demand (including without limitation one for or concerning arbitration), whether under this Agreement, the General Airport Agreement or any other Airport Fueling Agreement or otherwise, on account of or arising out of any Permitted Modification, including without limitation, (aa) the failure of the Port Authority to have entered into any written agreement with, or to have obtained consents or approvals from, one or more Users in connection with any Permitted Modification or (bb) the inclusion or the failure to be included in the System Costs any maintenance, repair, replacement, operational or other costs and expenses with respect to a Permitted Modification.

(x) Notwithstanding any other term or provision of this Agreement or any review by the Port Authority of the plans and specifications for the Fuel Lines Work or any comment of the Port Authority on or failure of the Port Authority to comment on the design, performance or installation of the Fuel Lines Work, or any inspection or approval by the Port Authority or by the System Operator of the Fuel Lines Work, or any terms or conditions of any Port Authority approval covering the Fuel Lines Work, or the

existence of any patent or trade name, or any other facts or circumstances which could or could be construed to affect or relieve American from its obligations under this paragraph 27(b)(x), American unconditionally guarantees, warrants and represents to the Port Authority and the Other Users that:

(aa) the Fuel Lines Work shall be performed in accordance with and subject to all the terms and conditions of this Letter Agreement, the Lease and the General Airport Agreement,

(bb) the New System Components shall comply with all industry standards applicable thereto and shall at all times be fully fit to perform all the functions and purposes for which it was designed and as required by and set forth in the General Airport Agreement,

(cc) the New System Components and the System shall meet or exceed all aspects of the System as it existed prior to the commencement of the Fuel Lines Work, including without limitation, in capacity, integrity, functional capability, efficiency and operation,

(dd) the Fuel Lines Work shall not be included or includable in System Costs,

(ee) the New System Components shall not increase the costs and expenses to operate, maintain, repair or use the Distribution Portion or the Satellite Portion, or any portion thereof or increase the System Costs,

(ff) the New System Components shall at all times throughout its expected useful life operate free from any defects, deficiencies or failures of any kind, including without limitation, any leaks or any defects, deficiencies or failures in design, workmanship, construction or materials,

(gg) neither the Fuel Lines Work nor the New System Components shall violate any Environmental Requirement or cause or result in any environmental damages, and

(hh) the New System Components, including without limitation, the cathodic protection system to be installed by American as part of the Airline Terminal Portion Work, shall be designed to be and shall be fully integrated into and compatible with the Distribution Portion and the Satellite Portion of the System (each of the foregoing described in (aa), (bb), (cc), (dd), (ee),

(ff), (gg) and (hh) and the warranties described in paragraph 4(e) hereof being herein called a "Warranty").

Upon American's receipt at any time and from time to time of notice from the Port Authority or any Governmental Authority or other person that a Warranty has been breached or not complied with or in the event American becomes aware of or receives any other notice (constructive or otherwise) of a breach of or noncompliance with a Warranty (any such breach or noncompliance being herein called a "Defect"), American shall in accordance with all the terms and conditions of this Agreement including without limitation Section 33 of the Lease and at its sole cost and expense, repair, modify or replace such Defect or do whatever else shall be required to correct such Defect, including without limitation, removing, relocating and replacing all or a part of the New System Components and all necessary and required work to accomplish the foregoing and none of such costs and expenses shall be or become System Costs. The foregoing warranty, representation and guarantee shall not be a limitation on any expressed or implied warranty or guaranty otherwise available to the Port Authority or the Other Users or any of them, under this Agreement, any of the contracts for the Fuel Lines Work, law, equity or otherwise or a limitation on any other rights or remedies which the Port Authority and/or any Other Users may have in connection with the Fuel Lines Work, the System or the New System Components whether pursuant to the Airport Fueling Agreements, this Letter Agreement, the Lease, at law or equity, or otherwise.

(xi) Without limiting any other term or condition of this Letter Agreement and in addition to the terms and conditions set forth elsewhere in this Letter Agreement and the Lease, American hereby relieves and releases the Port Authority and the Other Users from and assumes all the Fuel Line Risks.

(xii) (aa) Without limiting any other term or provision hereof and in addition thereto, American shall release, hold harmless and indemnify the Other Users and each of them and the Port Authority and its Commissioners, officers and employees and representatives from and against, including without limitation, reimbursing the Other Users and the Port Authority for their costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) , incurred in connection with the defense, settlement or satisfaction of all claims and demands, just or unjust, arising or alleged to arise out of the Fuel Lines Work, the New System Components, the Abandoned Fuel Lines, the Inert Fuel Lines, the Fuel Line Risks, each Warranty, any Defects, or any breach by American of any term or provision of this paragraph 27, or any breach of the General Airport Agreement with respect to this paragraph 27, including without limitation, for death, personal injury or property damage, whether pursuant to contract, permit, lease, law, equity or otherwise,

whether direct or consequential, and whether they arise from the acts or omissions of American or of any contractors of American, or of the Port Authority or any contractor of the Port Authority or of third persons, or of the Other Users or any of them, or from acts of God or a public enemy or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), provided, however, that American shall not be required to indemnify the Port Authority pursuant to this paragraph 27 (xii) where indemnity would be precluded pursuant to provisions of any statute.

(bb) If so directed, American shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(xiii) The terms and conditions set forth in subparagraphs (i), (ix), (x), (xi) and (xii) of this paragraph 27 shall inure to the benefit of the Other Users.

(xiv) The Port Authority's acceptance of the Fuel Lines Work in part or in whole whether as set forth in subparagraph (c) of this paragraph 27, in paragraph 10 of this Letter Agreement or otherwise, shall not in part or in whole, release or relieve American from its obligations under this paragraph 27or otherwise. Moreover, neither the enumeration in this paragraph 27 nor the enumeration elsewhere in this Letter Agreement of particular risks assumed by American or of particular claims for which it is responsible shall be deemed (x) to limit the effect of the provisions of this paragraph 27 or of any other paragraph of this Letter Agreement relating to such risks or claims, (y) to imply that American assumes or is responsible for risks or claims only of the type enumerated in this paragraph 27 or in any other portion of this Letter Agreement, or (z) to limit the risks which American would assume or the claims or demands for which it would be responsible in the absence of such enumeration.

(l) In addition to and without affecting the obligations of American pursuant to paragraph 10 of this Letter Agreement, when an integral and material portion of the Distribution Portion Work and/or the Satellite Portion Work is fully operational, has been successfully tested and properly flushed and is ready to be placed in service, American shall so advise the Port Authority and shall deliver to the Port Authority a certificate signed by an authorized officer of American and also signed by American's licensed architect or

engineer certifying that such portion of the Fuel Lines Work has been constructed, inspected and tested in accordance with approved plans and specifications, the provisions of this Letter Agreement, the Lease and the General Airport Agreement and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, including without limitation the System License, and specifying the portion of the Distribution Portion Work and/or the Satellite Portion that has been so completed, inspected and tested. The Port Authority may in its sole discretion deliver a certificate to American with respect to such portion of the Distribution Portion Work and/or Satellite Portion Work stating that such portion may be placed in operation for the purposes set forth in the General Airport Agreement and subject to and in accordance with all the terms, conditions and risks of and as set forth in this Letter Agreement, the Lease and the General Airport Agreement.

28. The Lessee acknowledges and agrees none of the notes or references in Exhibit A regarding any work that American has proposed to perform shall constitute or be deemed to constitute or imply that approval of the Port Authority will be granted to any proposed construction by American nor shall the same grant or be deemed to grant any right or permission to American now or in the future to erect any structures, make any improvements or do any other construction work in the Premises or to the System, or to alter, modify or make additions, improvements or repairs to or replacements of, any structure now existing or built at any time during the letting under the Lease or install any fixtures on the Premises or on the System, and that the provisions of this Letter Agreement shall be read and construed as if there were no notes or other references to proposed construction on Exhibit A."

2. American understands that Supplement No. 6 Construction Applications and the proposed work thereunder have not been approved by the Port Authority and nothing contained in this Supplement No. 6 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

3. American hereby agrees and understands that it shall in no event be entitled to any abatement, reduction or other adjustment to the rentals payable under the Lease as a result of or in connection with the Preparation Work or this Letter Agreement, as herein amended.

4. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 6 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

5. As hereby amended, all of the terms, provisions and agreements of the Letter

Agreement shall be and remain in full force and effect.

6. This Supplement No. 6 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 6 to the Letter Agreement.

7. In the event that the terms and provisions of this Letter Agreement as herein amended are inconsistent with or otherwise conflict with one or more terms and provisions of the Lease or of the General Airport Agreement, the terms and provisions of this Letter Agreement as herein amended shall control and be determinative.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 6 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place this Supplement No. 6 to the Letter Agreement in effect as of November 1, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By_____

(Title)_____President

THE PORT AUTHORITY OF NY & NJ

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

September 7, 2000

American Airlines, Inc.
MD 5317
4333 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 6 TO LETTER AGREEMENT - CONSTRUCTION APPLICATIONS Y-7100.07, Y-7100.08, Y-7100.09 and Y-7100.11

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.03, Y-7100.04, Y-7100.05, Y- 7251,Y-7252 and Y-7254.

American has previously filed with the Port Authority for approval construction application no. Y-7100.07 covering the construction of an underground tunnel, and construction application no. Y-7100.08 covering the construction of certain piles and foundation work, and construction application no. Y-7100.09 covering the construction of a temporary walkway between Terminals 8 and 9 and the demolition of the east side of Terminal 9 and Concourse C and construction application no. Y-7100.11 covering the construction of landside roads and elevated roadway structures, all in connection with American's proposed Redevelopment Work (as defined in the Letter Agreement), said applications as submitted by American but not approved by the Port Authority are hereinafter respectively called "Construction Application Y-7100.07", "Construction Application Y-7100.08", "Construction Application Y-7100.09" and "Construction Application Y-7100.11".

American has requested that it be allowed to perform the work under Construction Application Y-7100.07, Construction Application Y-7100.08, Construction Application Y-7100.09 and Construction Application Y-7100.11 at its sole cost and expense to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment Plan (as defined in the Letter Agreement) and the Redevelopment Work are approved by the Port Authority, even though a final draft of the Proposed Agreement has not been prepared or the Proposed Agreement duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under Construction Application Y-7100.07, Construction Application Y-7100.08, Construction Application Y-7100.09 and Construction Application Y-7100.11, if, when and as approved by the Port Authority, as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of September 7, 2000, the Letter Agreement, as previously amended, shall be further amended as follows:

(a) Paragraph 3 thereof shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.07 covering the construction of an underground tunnel as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.08 covering the construction of certain piles and foundations as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-

7100.09 covering the construction of a temporary walkway and certain demolition work at Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.11 covering the construction of landside roads and elevated roadway structures as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7251 covering the construction of a temporary outbound bag room as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7252 covering the construction of a temporary hold room as set forth in said application and as set forth in plans and specifications which are or shall become part of construction application no. Y-7254 covering the relocation of jetbridges from Concourse C to Concourse D at Terminal 9 as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.03 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.07 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.08 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.09 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by

construction application no. Y-7100.11 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7251 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7252 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7254 until said construction application is approved by the Port Authority, it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease."

(b) Paragraph 6 of the Letter Agreement shall be amended to read as follows:

"6. (a) American acknowledges that the Port Authority as well as other users, lessees, tenants, airport patrons and invitees and others will be continuing their operations in the Central Terminal Area ("CTA") during the period of time American is performing the Preparation Work hereunder and that this will involve among other things inconvenience, noise, dust, interference and disturbance to said operations and possibly other risks as well. American further acknowledges that the Preparation Work hereunder will impact traffic flow and control on the roadways in the CTA as well as the terminal frontage roads in front of the Premises and the use thereof by customers, patrons, invitees and employees. American hereby expressly assumes all of the foregoing risks. Without limiting the foregoing, American shall and expressly hereby agrees to perform, and to require each of its contractors and subcontractors to perform, the Preparation Work and each portion thereof in such a manner so as to minimize the impact and any disruption resulting therefrom on said operations and on traffic control and traffic flow in the CTA. American shall, without limiting any other term or provision hereof, communicate and cooperate (and require each of its contractors to communicate and cooperate) with the Port Authority and with each of the users, lessees, tenants, airport patrons, invitees and others in all aspects of the Preparation Work, and American shall coordinate and work in

harmony with all said Persons, including without limitation the users and occupants of the Premises and Port Authority contractors. American shall also communicate and cooperate (and require each of its contractors to communicate and cooperate) with all ground transportation operators and providers including all taxi, limousine and bus operators throughout the entire period of time of the performance of the Preparation Work. American shall include in each of its contracts and subcontracts covering the Preparation Work or any portion thereof the foregoing requirements for minimization of disruption and for contractor cooperation, communication and coordination.

(b) American shall perform and schedule and shall require each of its contractors and subcontractors to perform and schedule the Preparation Work with a high degree of coordination with the Port Authority's plans and schedules for the construction of the AirTrain and the plans and schedules for utility work at the Airport and American shall at all times during the construction of the AirTrain and such utility work cooperate and communicate and shall require each of it contractors and subcontractors to cooperate and communicate with the Port Authority and the Port Authority's contractors, including without limitation, the contractor for the AirTrain and the contractor(s) performing such utility work. American shall include in each of its contracts and subcontracts covering the Preparation Work or any portion thereof the foregoing requirements for contractor cooperation, communication and coordination.

(c) In order to ensure appropriate levels of service to the users, occupants, and Airport patrons and others using the Airport during the performance of the Preparation Work, American, not less than sixty (60) days prior to the commencement of any portion of the Preparation Work and the implementation of each construction stage, shall prepare and submit to the Port Authority for its prior approval a temporary construction program (including, but not limited to, drawings, sketches, schedules and narrative descriptions) which sets forth plans for the continuing provision of all patron services and landside operations at or adjacent to the Premises. Without limiting any other term or provision hereof, any temporary construction is and shall be subject to Paragraph 10 hereof, including, but not limited to, certifications of American and American's licensed architect or engineer and the issuance of a certificate of completion therefor by the Port Authority."

(c) The first sentence of Paragraph 4(q)(2) of the Letter Agreement shall be amended to read as follows:

"The performance by American of the Preparation Work will be at its sole risk and if for any reason the Proposed Redevelopment Plan or the plans and specifications for any Pending Construction Application or for the Redevelopment Work are not approved by the

Port Authority or if the approval thereof calls for modifications or changes in the Preparation Work undertaken by American, American will, as directed by the Port Authority, at its sole cost and expense, either restore the area affected to the condition existing prior to the commencement of any such Preparation Work or make such modifications and changes in any such Preparation Work as may be required by the Port Authority."

(d) Paragraph 13 of the Letter Agreement shall be amended as follows:

(i) Paragraph (a) thereof shall amended by inserting the phrase, ", and American may be required to restore the Premises as provided for herein" in the twenty-fourth (24th) line thereof immediately after the phrase "may ever be performed" and before the period appearing in said 24th line.

(ii) A new paragraph (c) shall be deemed to have been inserted at the end thereof to read as follows:

"(c) American specifically acknowledges and agrees that the Port Authority shall have the right, without cause, to require American to suspend or to cease the performance of the Preparation Work or any portion thereof and thereafter to require American to remove all or such portion of the Preparation Work as has been theretofore completed by American which right may be exercised by the Port Authority at any time, and upon receipt of a written notice from the Port Authority to such effect, American shall at the sole cost and expense of American promptly and expeditiously remove all or such portion of the Preparation Work as stated in the Port Authority's notice and restore the areas affected to the condition existing prior to the performance of the Preparation Work."

2. (a) American understands that Construction Application Y-7100.07, Construction Application Y-7100.08, Construction Application Y-7100.09 and Construction Application Y-7100.11 and the proposed work thereunder have not been approved by the Port Authority and nothing contained in this Supplement No. 6 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

(b) American hereby acknowledges that it has advised the Port Authority that it would like to make certain additions and modifications to the underground fuel distribution system at the Airport including without limitation the Distribution Portion of the Underground Fuel System (as such term is defined in Section 4.021 of the General Airport Agreement) and that such modifications and additions are required in order to complete the

Preparation Work. American further acknowledges that the Port Authority has advised American that there are many issues which must be resolved before any such additions or modifications can be made, including without limitation, addressing the potential impacts of such modifications and additions on the fueling arrangement at the Airport and the users of the underground fuel distribution system at the Airport. American agrees that notwithstanding anything contained in any Construction Application or the performance by it of any of the Preparation Work or the approval by the Port Authority of any Preparation Work that American shall not modify or alter nor shall American have or be deemed to have any right to modify or alter the Distribution Portion of the Underground Fuel System unless and until a supplemental agreement to this Letter Agreement prepared by the Port Authority and containing such terms and conditions as shall be determined by the Port Authority which expressly covers the approval of the Port Authority to make additions and modifications to the Distribution Portion of the Underground Fuel System and the additional risks, obligations and conditions to be assumed by American in connection therewith, is duly executed by the Port Authority and American; it being further understood and agreed that the Port Authority shall have no obligation to prepare or execute any such supplemental agreement.

3. American hereby agrees and understands that it shall in no event be entitled to any abatement, reduction or other adjustment to the rentals payable under the Lease as a result of or in connection with the Preparation Work or this Letter Agreement, as herein amended.

4. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 6 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

5. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

6. This Supplement No. 6 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 6 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 6 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International

Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of September 7, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By_____

(Title)_____President

Draft Dated 10/25/00

Issues:

1. **Exhibit**
2. **New Airline Portion Lines same protections in case deemed still a part of the Distribution Portion**
3. **Environmental Damages**
4. **Change (n), cooperation language and description of fuel line work in (a).**

VII. TO BE INCLUDED AT THE END OF PARAGRAPH (a) OF SECTION 42. GENERAL AIRPORT AGREEMENT:

"including without limitation those set forth in Section 2B hereof.

II NEW PARAGRAPH TO BE ADDED AT THE END OF THE CONSTRUCTION SECTION

(q) (1) The following terms when used in this paragraph (q) shall have the respective meanings given below:

(aa) "Abandoned Fuel Lines" shall mean any portion of the **System** which is taken out of service as part of the Fuel Lines Work and is abandoned in place or is abandoned and removed from the Airport as a part of the Fuel Lines Work.

(bb) "Acceptance Date" shall mean with respect to each portion of the **Distribution Portion Work**, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the **Distribution Portion Work** and shall mean with respect to each portion of the **Satellite Portion Work**, the date appearing on the certificate delivered to the Lessee by the Port Authority pursuant to sub-paragraph (3) of this paragraph (q) covering such portion of the **Satellite Portion Work**.

(cc) "Affected Distribution Lines" shall mean the **Premises Distribution Lines** and the **Non-Premises Distribution Lines.**

(dd) "Airport Fueling Agreements" shall mean the General Airport Agreement, the other Dewey Leases and any other agreements covering aircraft fueling at the Airport which are contemplated by the Dewey Leases.

(ee) "Airline Terminal Portion Work" shall mean the New Isolation Valves, all portions of the Fuel Lines Work located on the demand side of the New

Isolation Valves such as but not limited to underground pipe lines, hydrant boxes and related facilities and appurtenances (except for hydrant valves), and all other Fuel Lines Work that is performed on the Premises and is not **Distribution Portion Work**.

(ff) "Distribution Portion Work" shall mean that portion of the Fuel Lines Work which is performed on that portion of the Distribution Portion of the System that shall not become a portion of the New Airline Terminal Portion of the System, the New Non-Premises Distribution Lines (as defined in subparagraph (2) hereof), and the hydrant valves.

(gg) "Fuel Line Risks" shall mean any and all risks, costs, expenses, damages, responsibilities and liabilities arising out of, in connection with or resulting from the Fuel Lines Work, the **New System**, the Inert Lines or the Abandoned Fuel Lines, including but not limited to, all Defects (as such term is defined in subparagraph (x) hereof), the failure to have, or the inclusion of (whether proper or improper), any maintenance, repair, replacement, operation or other costs or expenses incurred in connection with the **New System**, the Abandoned Lines or the Inert Lines included in the System Costs, and the failure or refusal of the Users or any of them to pay any such costs or expenses.

(hh) "Fuel Line Work" shall have the meaning set forth in subparagraph (2) hereof.

(ii) "Inert Fuel Lines" shall mean the **Distribution Portion** of **Premises Distribution Lines 403-3 and 408-3** which as part of the Fuel Lines Work are capped and taken out of service but are not abandoned.

(jj) "**New Airline Terminal Portion of the System**" shall mean all portions of **Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2** existing prior to the commencement of the Fuel Lines Work and ; of the place where New Isolation Valves are to be installed and all portions of **Premises Distribution Lines** 403-3 and 408-3 located on of the points identified as the "**Distribution Line End Points**" on Exhibit 2B-? where the caps are to be installed on such Lines as part of the Fuel Lines Work but the New Airline Terminal Portion of the System shall not included such caps.

(kk) "New Isolation Valves" shall mean all of the isolation valves to be constructed and installed by the Lessee in proposed Isolation Valve Vault IW-C6 (as shown on Exhibit 2B-?) with respect to **Premises Distribution Lines 403-1, 403-2, 408-1 and 408-2** as part of the Fuel Lines Work.

(ll) "New System" shall collectively mean the **Airline Terminal Portion Work, the Distribution Portion Work and the Satellite Portion Work**.

(mm) "Non-Premises Distribution Lines" shall mean all of those distribution fuel lines identified on Exhibit 2B-? as Line 401-1, Line 401-2, Line 401-3, Line 409-01, Line 409-02 and Line 409-03 as such Lines commence at the dike wall on the supply side of the Satellite Portion of the System (as such terms are defined in Section 4.021 of the General Airport Agreement) [and the appurtenances and ? thereto].

(nn) "Other Users" shall mean all Users except for the Lessee.

(oo) "Permitted Modification" shall mean a modification, relocation, alteration, addition, replacement or capital improvement made to the System by any Person, provided, however, that (i) the costs of such modification, relocation, alteration, addition, replacement or capital improvement are not includable or included in System Costs, (ii) such modification, relocation, alteration, addition, replacement or capital improvement will not adversely affect the System including without limitation its use, operation or performance or the costs and expenses thereof and (iii) such modification, relocation, alteration, addition, replacement or capital improvement shall been approved by the Port Authority, provided, further, however, that shut downs and other disruptions in the operation, use or performance of the System occasioned by the performance of such modification, relocation, alteration, addition, replacement or capital improvement shall not be or be deemed to be an adverse affect on the System.

(pp) "Premises Distribution Line" shall mean any of and "Premises Distribution Lines" shall mean all of those distribution fuel lines identified as Line 403-1, Line 403-2, Line 403-3, Line 408-01, Line 408-02 and Line 408-03 on the exhibit attached hereto, hereby made a part hereof and marked "Exhibit 2B-?" (which exhibit is herein referred to as "Exhibit 2B-?") as such Lines commence at the dike wall on the supply side of the Satellite Portion of the System [and the appurtances and ? thereto].

(qq) "Redesignation Date" shall mean with respect to each **Premises Distribution Line** the date that the Lessee shall first commence any of the Fuel Lines Work with respect to such **Premises Distribution Line**.

(rr) "Satellite Portion Work" shall mean that portion of the Fuel Lines Work that is performed at the Satellite Portion of the System.

(ss) "System Contractor" shall mean Ogden New York Services, Inc. or any other Person who shall operate, repair or maintain the System pursuant to the **Airport Fueling Agreements**.

(tt) "System Costs" shall mean all costs and expenses incurred in connection with the System, including without limitation capital, operation, maintenance and repair costs and expenses, paid or to be paid for collectively by the Users pursuant to the **Airport Fueling Agreements**.

(uu) "System License" shall mean the Major Petroleum Facility License issued by the New York State Department of Environmental Conservation bearing license number 2-2380 covering the bulk storage area (as such term is used in the General Airport Agreement), and each and every successor or extension to or replacement of such license and any other license, registration or permit covering or with respect to the bulk storage area, the Satellite Portion or the Distribution Portion required by any Environmental Requirement.

(vvv) "Users" shall mean any Persons who use the System or are obligated to pay any System Costs.

(2) As part of the Lessee's Redevelopment Work, the Lessee has advised the Port Authority that it desires to relocate and abandon portions of the **Affected Distribution Lines** located on the Premises as well as make certain replacements and modifications to the Satellite Portion of the System and other portions of the Distribution Portion of the System as shall be required, necessary or desirable for such relocation and abandonment (any work performed on the System and any replacements and abandonment of the System to be performed by the Lessee as part of the Redevelopment Work and which may be approved by the Port Authority pursuant to this Section and as the same may be approved by the Port Authority being herein referred to as the "Fuel Lines Work"). The proposed relocation and abandonment work includes among other items the construction of new replacement distribution fuel lines in connection with the Lessee's proposed construction of a new sewer line in the vicinity of proposed Isolation Valve Vault IW-C6 and in connection with the Lessee's proposed construction of a tunnel in the vicinity as generally shown on Exhibit 2B-7 (which new distribution fuel lines which exclusively serve the Premises [and their appurtenances] are herein called the "**New Premises Fuel Lines**" and which new distribution fuel lines which do not serve the Premises [and their appurtenances] are herein called the "**New Non-Premises Distribution Lines**"), the capping, abandonment and removal of certain portions of the **Affected Distribution Lines**, and the construction of a new isolation valve vault in the location shown on Exhibit 2B-7 and identified as "Isolation Valve Vault IW-C6". All Fuel Lines Work performed by the Lessee shall be performed subject to and in accordance the following terms and conditions:

(i) All Fuel Lines Work shall be performed at the sole cost and expense of the Lessee and, further, the Lessee agrees that if any costs and expenses for the repair, operation, replacement, maintenance or use of the **Distribution Portion Work, the Satellite Portion Work** or the Inert Lines for any reason whatsoever are not included in or not allowed to become a part of, the System Costs, that it shall bear and pay for any and all such costs and expenses. In addition, all of the Distribution Portion of the System which is taken out of service and abandoned as part of the Fuel Lines Work shall be removed from the Airport by the Lessee as a part of the Fuel Lines Work.

(ii) The Fuel Lines Work shall be performed in accordance with all the

terms and conditions of this Lease [and of the General Airport Agreement].

(iii) In addition to and without limiting the obligations set forth in paragraph (k)(3) of this Section, all portions of the Fuel Lines Work which under the **Airport Fueling Agreements** are to be performed by the System Contractor, such as but not limited to all testing and flushing of the System and the Fuel Lines Work, shall be performed by the System Contractor on behalf of the Lessee and at the Lessee's sole cost and expense. The Lessee shall communicate and cooperate (and require each of its contractors to communicate and cooperate) with the System Operator in all aspects of the Fuel Lines Work and shall coordinate the performance of the Fuel Lines Work with the System Operator. The Lessee shall include in each of its contracts and subcontracts covering the Fuel Lines Work or any portion thereof the foregoing requirements for cooperation, communication and coordination.

(iv) Prior to the Lessee's commencement of the Fuel Lines Work or any portion thereof, the Lessee shall submit to the Port Authority for the Port Authority's approval a plan to minimize to the greatest extent possible any disruption, interruption, delay or interference in the operation, performance, maintenance, repair or use of the System. Such plan shall include without limitation the sequencing and scheduling of all shut downs of any portion of the System such as but not limited to the sequencing and scheduling of all work to tie-in any portion of the Fuel Lines Work to the System and flush and test the Fuel Lines Work, and shall provide that only one of the **Affected Distribution Lines** shall be out of service at the same time and that no section of the System shall be taken or kept out of service during peak travel periods. Further, such plan shall include actions and procedures to be undertaken and followed in the event of any unscheduled or unexpected shut down or disruption of or interference with the operation or use of the of the System.

(v) All Fuel Lines Work shall comply in all respects with the System License and all other Environmental Requirements and the Lessee shall take all actions to ensure such compliance. Further, if required or permitted by the New York State Department of Environmental Conservation or any other applicable Governmental Authority, the Lessee shall register, license and/or permit the Airline Terminal Portion of the System in accordance with Environmental Requirements in the name of the Lessee as the owner thereof and the System Operator as the operator thereof.

(vi) Notwithstanding paragraph (i) of this Section, title to the **Airline Terminal Portion Work** shall remain in the Lessee as the same or any part thereof is erected, constructed or installed and upon such erection, construction or installation the same shall be and become a part of the Airline Terminal Portion of the System for the purposes of this Agreement and the **Airport Fueling Agreements** including without limitation the Lessee assuming all risks, costs, expenses, responsibilities and liabilities in connection therewith and shall be and become a Tank (as such term is defined in Section

65 hereof entitled "Storage Tanks") and all the terms and conditions of Section 65 shall apply thereto.

(vii) Notwithstanding any terms or conditions in the **Airport Fueling Agreements** to the contrary, effective as of the Redesignation Date with respect to each **Premises Distribution Line**, the that portion of such **Premises Distribution Line** constituting a portion of the **New Airline Terminal Portion of the System** shall be and become for the purposes of this Agreement and of the **Airport Fueling Agreements** a part of the Airline Terminal Portion of the System effective as of such Redesignation Date and, without limiting the generality of any other term or provision of this Agreement, from and after the Redesignation Date for each such **New Airline Terminal Portion of the System** the Lessee shall take title to the same in its "as is" condition and shall relieve the Port Authority and Other Users from and shall assume all risks, costs, expenses, responsibilities and liabilities in connection with such **New Airline Terminal Portion of the System**.

(viii) Title to all the **Distribution Portion Work and the Satellite Portion Work** shall pass to the City of New York as the same or any portion thereof is erected, constructed and installed and effective upon the Acceptance Date of each portion of the **Distribution Portion Work**, such **Distribution Portion Work** shall be and become for the purposes of this Agreement and of the **Airport Fueling Agreements** a part of the Distribution Portion of the System and effective upon the Acceptance Date of each portion of the **Satellite Portion Work**, such **Satellite Portion Work** shall be and become for the purposes of this Agreement and of the **Airport Fueling Agreements** a part of the Satellite Portion of the System.

(ix) The Lessee hereby agrees as the lessee hereunder, as the lessee under the General Airport Agreement and as a User and in addition to and without limiting its obligations under subparagraphs (x) and (xi) hereof, that it shall not object to or make any claim or demand (including without limitation one for or concerning arbitration), whether under this Agreement, the General Airport Agreement or any other Airport Fueling Agreement or otherwise, on account of or in connection with (x) the failure of the Port Authority to have entered into any written agreement with, or to have obtained consents or approvals from, one or more **Users** in connection with any **Permitted Modification** or (y) the inclusion in the System Costs of any maintenance, repair, replacement, operational or other costs and expenses with respect to a **Permitted Modification.**

(x) Notwithstanding any other term or provision of this Agreement or any review by the Port Authority of the plans and specifications for the Fuel Lines Work or any comment of the Port Authority on or failure of the Port Authority to comment on the design, performance or installation of the Fuel Lines Work, or any inspection or approval by the Port Authority of the Fuel Lines Work, or any terms or conditions of any

Port Authority approval covering the Fuel Lines Work, or the existence of any patent or trade name, or any other facts or circumstances which could or could be construed to affect or relieve the Lessee from its obligations under this paragraph (q)(2)(x), the Lessee unconditionally guarantees, warrants and represents to the Port Authority and the Other Users that:

(aa) the Fuel Lines Work shall be performed in accordance with and subject to all the terms and conditions of this Agreement and the General Airport Agreement,

(bb) the New System shall be of first-class quality and design and shall fully fit to perform the functions and purposes for which it was designed and as required by and set forth in the General Airport Agreement,

(cc) the New System shall be equal to or better than the System as it existed prior to the commencement of the Fuel Lines Work in all respects, including without limitation, in capacity, integrity, functional capability, efficiency and operation,

(dd) the New System shall not increase the costs and expenses to operate, maintain, repair or use the Distribution Portion or the Satellite Portion, or any portion thereof,

(ee) the New System shall at all times throughout its expected useful life operate free from any defects, deficiencies or failures of any kind, including without limitation, any leaks or any defects, deficiencies or failures in design, workmanship, construction or materials, and

(ff) the cathodic protection system to be installed by the Lessee as part of the Airline Terminal Portion Work shall be fully compatible with the cathodic protection system for the Distribution Portion of the System existing prior to or subsequent to the commencement of the Fuel Lines Work (any of the foregoing described in (aa), (bb), (cc), (dd), (ee), and (ff) being herein called a "Warranty").

Upon the Lessee's receipt of notice from the Port Authority or any Governmental Authority that a Warranty has been breached or not complied with (any such breach or noncompliance being herein called a "Defect"), the Lessee shall in accordance with all the terms and conditions of this Agreement including without limitation Section 33 hereof, repair, modify or replace at the Lessee's sole cost and expense such Defect or do whatever else shall be required to correct such Defect, including without limitation, removing, relocating and replacing all or a part of the New System and all necessary and required work to accomplish the foregoing. The foregoing warranty, representation and

guarantee shall not be a limitation on any expressed or implied warranty or guaranty otherwise available to the Port Authority or the Other Users or any of them, under this Agreement, any of the contracts for the Fuel Lines Work, law, equity or otherwise or a limitation on any other rights or remedies which the Port Authority and/or any Other Users may have in connection with the Fuel Lines Work or the **New System** whether pursuant to the **Airport Fueling Agreements**, this Agreement, at law or equity, or otherwise.

(xi) Without limiting any other term or condition of this Agreement and in addition to the terms and conditions set forth elsewhere in this Lease, the Lessee hereby relieves the Port Authority and the Other Users from and assumes all the **Fuel Line Risks**.

(xii) (aa) Without limiting any other term or provision hereof and in addition thereto, the Lessee shall release, hold harmless and indemnify the Other Users and each of them and the Port Authority and its Commissioners, officers and employees and representatives from and against, including without limitation, reimbursing the Other Users and the Port Authority for their costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) , incurred in connection with the defense, settlement or satisfaction of all claims and demands, just or unjust, arising or alleged to arise out of the Fuel Lines Work, the **New System**, the Abandoned Fuel Lines, the Inert Fuel Lines, the **Fuel Line Risks**, any Defects, or any breach by the Lessee of any term or provision of this paragraph (q), or any breach of the General Airport Agreement with respect to this paragraph (q), including without limitation, for death, personal injury or property damage, whether pursuant to contract, permit, lease, law, equity or otherwise, whether direct or consequential, and whether they arise from the acts or omissions of the Lessee or of any contractors of the Lessee, or of the Port Authority or any contractor of the Port Authority or of third Persons, or of the Other Users or any of them, or from acts of God or a public enemy or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), provided, however, that the Lessee shall not be required to indemnify the Port Authority pursuant to this paragraph (q)(2)(xii) where indemnity would be precluded pursuant to provisions of any statute.

(bb) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(xiii) The terms and conditions set forth in subparagraphs (ix), (x), (xi) and (xii) of this paragraph (q) shall inure to the benefit of the Other Users, except, however, that the Port Authority may at any time in its sole discretion and without liability on its part cancel the benefit conferred on any of them by this subparagraph (xiii), whether or not the occasion for invoking such benefit has already arisen at the time of such cancellation.

(xiv) The Port Authority's acceptance of the Fuel Lines Work in part or in whole whether as set forth in subparagraph (3) of this paragraph (q), in paragraph (n) of this Section or otherwise, shall not in part or in whole, release or relieve the Lessee from its obligations under this paragraph (q) or otherwise. Moreover, neither the enumeration in this paragraph (q) nor the enumeration elsewhere in this Agreement of particular risks assumed by the Lessee or of particular claims for which it is responsible shall be deemed (i) to limit the effect of the provisions of this paragraph (q) or of any other Section of this Agreement relating to such risks or claims, (ii) to imply that the Lessee assumes or is responsible for risks or claims only of the type enumerated in this paragraph (q) or in any other portion of this Agreement, or (iii) to limit the risks which the Lessee would assume or the claims or demands for which it would be responsible in the absence of such enumeration.

(3) In addition to and without affecting the obligations of the Lessee pursuant to paragraph (n) of this Section, when an integral and material portion of the **Distribution Portion Work and/or the Satellite Portion Work** is fully operational, has been successfully tested and properly flushed and is ready to be placed in service, the Lessee shall so advise the Port Authority [and the System Operator] and shall deliver to the Port Authority a certificate signed by an authorized officer of the Lessee and also signed by the Lessee's licensed architect or engineer certifying that such portion of the Fuel Lines Work has been constructed, inspected and tested in accordance with approved plans and specifications, the provisions of the Lease [and the General Airport Agreement] and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders and specifying the portion of the **Distribution Portion Work and/or the Satellite Portion** that has been so completed, inspected and tested. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to such portion of the **Distribution Portion Work and/or Satellite Portion Work** stating that such portion may be placed in operation for the purposes set forth in the General Airport Agreement and subject to and in accordance with all the terms and conditions of this Lease and the General Airport Agreement and subject to the risks set forth in paragraph (f) hereof in the event that the Port Authority has not approved the plans and specifications for the Redevelopment Work.

THE PORT AUTHORITY OF NY & NJ

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

April 7, 2000

American Airlines, Inc.
MD 5317
4333 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 5 TO LETTER AGREEMENT - CONSTRUCTION APPLICATION NO. Y-7251

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.03, Y-7100.04, Y-7100.05, Y-7252 and Y-7254.

American has previously filed with the Port Authority for approval construction application No. Y-7251 covering work American desires to perform in connection with the construction of a temporary outbound bag room in the Premises as part of the phasing for the Redevelopment Work (as defined in the Letter Agreement), said application as submitted by American and so revised but not approved by the Port Authority is hereinafter called "Construction Application No. Y-7251".

American has requested that it be allowed to perform the work under Construction Application No. Y-7251 at its sole cost and expense to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment Plan (as defined in the Letter

Agreement) and the Redevelopment Work are approved by the Port Authority, even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under Construction Application No. 7251, if, when and as approved by the Port Authority, as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of April 7, 2000, paragraph 3 of the Letter Agreement, as previously amended, shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7254 covering the relocation of jetbridges from Concourse C to Concourse D at Terminal 9 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7251 covering the construction of a temporary outbound bag room as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7252 covering the construction of a temporary hold room as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and

collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.03 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7254 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7251 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7252 until said construction application is approved by the Port Authority, it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease."

2. American understands that neither Construction Application No. Y-7251 nor the proposed work thereunder has been approved by the Port Authority and nothing contained in this Supplement No. 5 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

3. Neither the Commissioners of the Port Authority nor any of them, nor any officer,

agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 5 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

4. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

5. This Supplement No. 5 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 5 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 5 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of April 7, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By _____

(Title) ~~President~~

THE PORT AUTHORITY OF NY & NJ

MEMORANDUM COPY

This Agreement shall not be binding upon the Port Authority until duly executed by an executive officer thereof, and delivered by an authorized representative of the Port Authority.

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

March 16, 2000

American Airlines, Inc.
MD 5317
4333 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 4 TO LETTER AGREEMENT - CONSTRUCTION APPLICATION NO. Y-7252

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.03, Y-7100.04, Y-7100.05 and Y-7254.

American has previously filed with the Port Authority for approval construction application No. Y-7252 covering work American desires to perform in connection with the construction of a temporary hold room in the Premises as part of the phasing for the Redevelopment Work (as defined in the Letter Agreement), said application as submitted by American and so revised but not approved by the Port Authority is hereinafter called "Construction Application No. Y-7252".

American has requested that it be allowed to perform the work under Construction Application No. Y-7252 at its sole cost and expense to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment Plan (as defined in the Letter

Agreement) and the Redevelopment Work are approved by the Port Authority, even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under Construction Application No. 7252, if, when and as approved by the Port Authority, as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of March 16, 2000, paragraph 3 of the Letter Agreement, as previously amended, shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application and as set forth in plans and specifications which are or shall become part of construction application no. Y-7254 covering the relocation of jetbridges from Concourse C to Concourse D at Terminal 9 as set forth in said application and as set forth in plans and specifications which are or shall become part of construction application no. Y-7252 covering the construction of a temporary hold room as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American

wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.03 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7254 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7252 until said construction application is approved by the Port Authority, it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease."

2. American understands that neither Construction Application No. Y-7252 nor the proposed work thereunder has been approved by the Port Authority and nothing contained in this Supplement No. 4 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

3. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 4 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

THE PORT AUTHORITY OF NY & NJ

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NEW YORK, NEW YORK 10048

(212) 435-7000
(973) 961-6600

4. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

5. This Supplement No. 4 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 4 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 4 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of March 16, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By_____

(Title)_____President

THE PORT AUTHORITY OF NY & NJ

MEMORANDUM COPY

This Agreement shall not be binding upon the Port Authority until duly executed by an executive officer thereof, and delivered by an authorized representative of the Port Authority.

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

February 14, 2000

American Airlines, Inc.
MD 5317
4333 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 3 TO LETTER AGREEMENT - CONSTRUCTION APPLICATION NO. Y-7254

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.03, Y-7100.04 and Y-7100.05.

American has previously filed with the Port Authority for approval construction application No. Y-7254 covering work American desires to perform in connection with the relocation of existing jetbridges from Concourse C to Concourse D of the Premises as part of the phasing for the Redevelopment Work (as defined in the Letter Agreement), said application as submitted by American and so revised but not approved by the Port Authority is hereinafter called "Construction Application No. Y-7254".

American has requested that it be allowed to perform the work under Construction Application No. Y-7254 at its sole cost and expense to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment Plan (as defined in the Letter

Agreement) and the Redevelopment Work are approved by the Port Authority, even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under Construction Application No. 7254, if, when and as approved by the Port Authority, as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of February 14, 2000, paragraph 3 of the Letter Agreement, as previously amended, shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application and as set forth in plans and specifications which are or shall become part of construction application no. Y-7254 covering the relocation of jetbridges from Concourse C to Concourse D at Terminal 9 as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American

shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.03 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7254 until said construction application is approved by the Port Authority, it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease."

2. American understands that neither Construction Application No. Y-7254 nor the proposed work thereunder has been approved by the Port Authority and nothing contained in this Supplement No. 3 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

3. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 3 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

4. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

5. This Supplement No. 3 to the Letter Agreement and the Letter Agreement which it

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NEW YORK, NEW YORK 10048

(212) 435-7000
(973) 961-6600

amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 3 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 3 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of February 14, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By Original signed 2/24 KRL

(Title) ~~President~~
KENNETH R. LEMKE

THE PORT AUTHORITY OF NY & NJ

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

January 14, 2000

American Airlines, Inc.
MD ~~4213~~ 5317
~~4333~~ ~~4255~~ Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 1 TO LETTER AGREEMENT - CONSTRUCTION APPLICATION NO. Y-7100.05

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02 and Y-7100.04.

American has filed with the Port Authority for approval by the Port Authority construction application No. Y-7100. 05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 and as set forth in said application and in plans and specifications which are or shall become a part of said construction application No. Y-7100.05 (which construction application as submitted by American but not approved by the Port Authority is hereinafter called "Construction Application No. Y-7100.05").

American has requested that it be allowed to perform the work under Construction Application No. Y-7100.05 at its sole cost and expense to expedite the performance of the Redevelopment Work (as defined in the Letter Agreement) if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment

Plan (as defined in the Letter Agreement) and the Redevelopment Work are approved by the Port Authority even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to and that the Letter Agreement be supplemented to include the work to be performed under Construction Application No. 7100.05 if, when and as approved by the Port Authority as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of January 14, 2000, paragraph 3 of the Letter Agreement shall be amended as follows:

(a) The phrase, ", and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9" shall be deemed to have been inserted in the ninth (9th) line thereof immediately after the word "application" and before the parenthetical appearing therein.

(b) The phrase, "and shall not commence performance of the work covered by construction application no. Y-7100.05 until said construction application is approved by the Port Authority" shall be deemed to have been inserted in the twenty-fifth (25th) line thereof immediately after the word "Authority" and before the comma appearing therein.

2. American understands that neither Construction Application No. Y-7100.05 nor the proposed work thereunder has been approved by the Port Authority and nothing contained in this Supplement No. 1 nor the Letter Agreement shall be or be deemed to grant such approval or constitute any agreement that such approval will be granted.

3. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 1 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

4. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

5. This Supplement No. 1 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees

that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 1 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 1 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of January 14, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By _____
GARY F KENNEDY

(Title) VICE President
CORP. REAL ESTATE

APPROVED:
FORM TERMS

THE PORT AUTHORITY OF NY & NJ

MEMORANDUM COPY

This Agreement shall not be binding upon the Port Authority until duly executed by an executive officer thereof, and delivered by an authorized representative of the Port Authority.

WILLIAM R. DECOTA
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-2116
(973) 961-6600 X2116

January 4, 2000

American Airlines, Inc.
MD 4213
4255 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: JOHN F. KENNEDY INTERNATIONAL AIRPORT - AGREEMENT NO. AYB-085 - SUPPLEMENT NO. 2 TO LETTER AGREEMENT - REVISED CONSTRUCTION APPLICATION NO. Y-7100.03

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has been and may hereinafter be supplemented, amended and extended, is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (which premises are hereinafter called the "Premises") at John F. Kennedy International Airport. Additionally, the Port Authority and American have previously entered into a letter agreement dated September 24, 1998 (which letter agreement as previously supplemented and amended is hereinafter called the "Letter Agreement") covering construction application nos. Y-7100.01, Y-7100.02, Y-7100.04 and Y-7100.05.

American has previously filed with the Port Authority for approval construction application No. Y-7100.03 covering certain utility and other related work, which application contained, among other work, fuel line work and signage work. Said application was subsequently revised to exclude the fuel line work and signage work (said application as submitted by American and so revised but not approved by the Port Authority is hereinafter called "Construction Application No. Y-7100.03").

American has requested that it be allowed to perform the work under Construction Application No. Y-7100.03 at its sole cost and expense to expedite the performance of the Redevelopment Work (as defined in the Letter Agreement) if, as and when the Proposed Agreement (as defined in the Letter Agreement) is entered into and the Proposed Redevelopment

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Plan (as defined in the Letter Agreement) and the Redevelopment Work are approved by the Port Authority, even though American has estimated the cost of the proposed work to be performed under Construction Application No. 7100.03 at $19,000,000.00 and even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to, and that the Letter Agreement be supplemented to include the work to be performed under Construction Application No. 7100.03 if, when and as approved by the Port Authority as part of the "Preparation Work" under the Letter Agreement. Accordingly, the Port Authority and American hereby agree as follows:

1. Effective as of January 4, 2000, paragraph 3 of the Letter Agreement shall be amended to read as follows:

"3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.03 covering certain other utility and other related work as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.05 covering the installation of a multi-phase extraction and treatment system at Concourse D of Terminal 9 as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American shall not commence performance of the work

THE PORT AUTHORITY OF NY & NJ

ONE WORLD TRADE CENTER
NEW YORK, NEW YORK 10048

(212) 435-7000
(973) 961-6600

4. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Supplement No. 2 to the Letter Agreement or because of its execution or attempted execution or because of any breach thereof.

5. As hereby amended, all of the terms, provisions and agreements of the Letter Agreement shall be and remain in full force and effect.

6. This Supplement No. 2 to the Letter Agreement and the Letter Agreement which it amends constitute the entire agreement between the Port Authority and American on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and American. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in the Letter Agreement or this Supplement No. 2 to the Letter Agreement.

If the foregoing is acceptable to American, please indicate your acceptance of the same by signing the enclosed two copies of this Supplement No. 2 to the Letter Agreement by a duly authorized officer and returning them to the Port Authority's Business, Properties and Commercial Development Division, Building 14, Second Floor, John F. Kennedy International Airport, Jamaica, New York 11430. The return of a copy thereof to you executed by the Port Authority shall place the Letter Agreement in effect as of January 4, 2000.

Very truly yours,

William R. DeCota
Director of Aviation

ACCEPTED:

AMERICAN AIRLINES, INC.

By _____

(Title) KENNETH R. LEMKE ~~President~~
SR REAL ESTATE COUNSEL

THE PORT AUTHORITY OF NY & NJ

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-7000
(973) 961-6600

File
JFK
0748

VIA FEDERAL EXPRESS -

December 3, 1999

Mr. Kenneth R. Lemke,
Sr. Counsel
Corporate Real Estate
American Airlines
4333 Amon Carter Blvd.
MD 5317
Ft. Worth, TX 76155

Re: JFK – Preparation Work – Construction Applications Nos. Y-7100.01, Y-7100.02 and Y-7100.04

Dear Ken:

Attached is a fully executed copy of the referenced agreement for your file.

Congratulations, and let the digging begin!

Sincerely,

Erica Stempler
Manager, Central Business Division
Aviation Department

Att.

THE PORT AUTHORITY OF NY & NJ

ROBERT J. KELLY
DIRECTOR
AVIATION DEPARTMENT

ONE WORLD TRADE CENTER
NEW YORK, NY 10048

(212) 435-7000
(973) 961-6600 x7000

September 24, 1998

American Airlines, Inc.
MD 4213
4255 Amon Carter Blvd.
Fort Worth, Texas 76155

Re: John F. Kennedy International Airport - Preparation Work - Construction Applications Nos. Y-7100.01, Y-7100.02 and Y-7100.04

Mesdames and Messrs:

The Port Authority of New York and New Jersey (hereinafter called the "Port Authority") and American Airlines, Inc. (hereinafter called "American") have heretofore entered into an agreement of lease identified by Port Authority Lease No. AYB-085 made as of the first day of August, 1976 (which agreement of lease, as the same has heretofore been supplemented, amended and extended, is hereinafter called "Lease No. AYB-085" and Lease No. AYB-085 as the same may hereafter be supplemented and amended is hereinafter called the "Lease") covering unit terminal premises as more particularly set forth in the Lease (hereinafter called the "Premises") at John F. Kennedy International Airport (hereinafter called the "Airport").

As you know, American and the Port Authority have been conducting negotiations with respect to an agreement covering American's plan to redevelop the Premises, including without limitation the demolition of Buildings Nos. 56 and 57 (which redevelopment plan, as the same may be changed from time to time, is hereinafter called the "Proposed Redevelopment Plan" and the construction and demolition work to be performed to implement such plan is hereinafter called the "Redevelopment Work"), the extension of the term of the letting under Lease No. AYB-085 and certain other matters in connection with American's use, occupancy and redevelopment of the Premises (which proposed redevelopment of the Premises together with such other matters are hereinafter called the "Proposed Arrangement"). The said negotiations concerning the Proposed Arrangement have not been completed nor has the agreement covering the Proposed Arrangement been prepared or duly executed by the parties (which proposed agreement, if any is hereinafter called the "Proposed Agreement").

AAJFK 073805

American has requested that it be allowed to perform at its sole cost and expense certain Preparation Work, as hereafter defined, to expedite the performance of the Redevelopment Work if, as and when the Proposed Agreement is entered into and the Proposed Redevelopment Plan and the Redevelopment Work is approved by the Port Authority even though the Proposed Agreement has not been prepared or duly executed by the parties and even though all the essential terms of the Proposed Agreement have not been negotiated and agreed to.

Notwithstanding the fact that American has estimated the cost of the proposed work to be in excess of $25,000.000.00 nor the fact that the staffs of American and the Port Authority have not reached agreement on all the essential aspects of the Proposed Arrangement or on all the terms and provisions of the Proposed Agreement, nor the fact that the Proposed Agreement nor any other agreement covering the Proposed Arrangement or American's Proposed Redevelopment Plan has not been prepared nor duly executed by the parties, nor the fact that the Port Authority has not approved the Proposed Redevelopment Plan or the Redevelopment Work, American believes that it is in its best interest to commence performance of the Preparation Work at this time in that it will be beneficial to American to expedite the completion of its proposed redevelopment of the Premises if, as and when the aforesaid Proposed Agreement, if any, is duly executed by the parties and delivered by the Port Authority to American and the Proposed Redevelopment Plan and the Redevelopment Work are approved by the Port Authority. Notwithstanding the further fact that the Port Authority is reluctant to grant permission to American to do any work with respect to American's proposed redevelopment of the Premises unless and until the Proposed Agreement is duly executed by the parties and delivered to American, American has requested permission from the Port Authority to commence performance of portions of the Redevelopment Work and by acceptance of this Letter Agreement specifically reiterates such request. American is therefore willing to accept and assume all the risks, costs, expenses and obligations set forth herein and accordingly, at American's specific request, the Port Authority hereby sets forth below for American's acceptance the basis and terms upon which the Port Authority is willing to grant to American permission to perform the Preparation Work.

Further, in connection with the Proposed Arrangement, Ms. Erica Stempler, Manager, Central Business Division of the Port Authority heretofore transmitted a letter dated October 27, 1998 to Mr. Ken Lemke of American, which letter was concurred to by Mr. Lemke (which letter as concurred to by Mr. Lemke is hereinafter called the "Status Letter"). American and the Port Authority desire to set forth and clarify herein their intent and other matters with respect to the Status Letter.

American and the Port Authority hereby agree as follows:

1. Unless defined herein, all capitalized terms used in this Letter Agreement shall have the meaning given to them in the Lease.

2. American and the Port Authority hereby each acknowledge and agree that the Status Letter was intended by American and the Port Authority to help provide a framework for the preparation of the Proposed Arrangement and it is and was the intention of the parties that the Status Letter is not and shall not be binding in anyway whatsoever on either the Port Authority or American, that the Status Letter created no obligation, legal, equitable or otherwise to negotiate or enter into the Proposed Agreement and that the Status Letter is not an agreement or approval of any kind whatsoever.

3. The work American desires to perform shall be as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.01 covering the performance of certain test boring work as set forth in said application to be performed in connection with foundation design of American's proposed Redevelopment Work, and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.02 covering certain utility and other related work as set forth in said application and as set forth in plans and specifications which are or shall become part of construction application no. Y-7100.04 covering the installation of a groundwater extraction and treatment system at Gate 23 as set forth in said application (which construction applications as submitted by American but not approved by the Port Authority are hereinafter individually called a "Pending Construction Application" and collectively called the "Pending Construction Applications"). The Pending Construction Applications shall contain such terms and conditions as the Port Authority may include and shall set forth in detail and by complete plans and specifications the work American desires to perform and the manner and time periods for performing the same (the foregoing construction applications as approved by the Port Authority are hereinafter individually called a "Construction Application" and collectively called the "Construction Applications" and all of the work as set forth in said Construction Applications and as approved by the Port Authority is herein called the "Preparation Work"). If American wishes to proceed with the proposed preparation work, American shall redo and resubmit the Pending Construction Applications until approved by the Port Authority. American shall not commence performance of the work covered by construction application no. Y-7100.01 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.02 until said construction application is approved by the Port Authority and shall not commence performance of the work covered by construction application no. Y-7100.04 until said construction application is approved by the Port Authority, it being understood and agreed that the Port Authority may in its sole discretion disapprove all or any portion of the work American proposes to do for any reason whatsoever. All locations where the Preparation Work is to be performed shall be as specified in the Construction Applications and except where expressly stated to the contrary herein where constructed or installed at the Premises the Preparation Work shall become a part of the Premises under the Lease. Notwithstanding the performance of the Preparation Work nor any approval of the Construction Applications and notwithstanding any reference therein to American or to various proposed property lines or to space to be occupied by American it is hereby understood and agreed that the areas upon which

American shall perform the Preparation Work shall be as set forth in the Construction Applications and said approvals, references and areas shall not be nor be deemed to be a part of or imply any lease, permit or other agreement covering the leasing, use or occupancy of said areas by American except as set forth in the Lease.

4. The Preparation Work shall be done in accordance with the following terms and conditions:

(a) (1) American hereby assumes the risk of loss or damage to all of the Preparation Work prior to the completion thereof and the risk of loss or damage to all property of the Port Authority and others and the risk of personal injury and death to all persons arising out of or in connection with the performance of the Preparation Work. In the event of such loss or damage, American shall forthwith repair, replace, remediate, clean-up and make good the Preparation Work and the property of the Port Authority without cost or expense to the Port Authority. American shall itself and shall also require its contractors to indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against all claims and demands, just or unjust, of third persons (including employees, officers, and agents of the Port Authority and any Governmental Authority) arising or alleged to arise out of the performance of the Preparation Work and for all costs and expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury, or for property damage, direct or consequential, whether they arise from the acts or omissions of American, of any contractors of American, of the Port Authority, or of third persons, or from acts of God or of the public enemy, or otherwise (including claims of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims), all the foregoing to include without limitation all claims and demands arising out of or in connection with any Hazardous Substance but excepting only claims and demands which result solely from affirmative wilful acts done by the Port Authority, its Commissioners, officers, agents and employees with respect to the Preparation Work, provided, however, that American shall not be required to indemnify the Port Authority pursuant to this subparagraph (a) where indemnity would be precluded pursuant to the provisions of Section 5-322.1 of the General Obligations Law of the State of New York.

(2) If so directed, American shall at its own expense defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance written permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or

employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(b) Prior to engaging or retaining an architect or architects for the Preparation Work, the name or names of said architect or architects shall be submitted to the Port Authority for its approval. The Port Authority shall have the right to disapprove any architect who may be unacceptable to it. All the Preparation Work shall be done in accordance with plans and specifications to be submitted to and approved by the Port Authority prior to the commencement of such Preparation Work and as set forth in paragraph 3 above.

(c) (1) Prior to entering into a contract for any part of the Preparation Work, American shall submit to the Port Authority for its approval the names of the contractors to whom American proposes to award said contracts. The Port Authority shall have the right to disapprove any contractor who may be unacceptable to it. American shall include in all such contracts such provisions and conditions as may be reasonably required by the Port Authority. Without limiting the generality of the foregoing, all of American's construction contracts shall provide as follows: "If (i) the Contractor fails to perform any of its obligations under the Contract, including its obligation to American to pay any claims lawfully made against it by any materialman, subcontractor or workman or other third person which arises out of or in connection with the performance of the Contract or (ii) any claim (just or unjust) which arises out of or in connection with the Contract is made against American or (iii) any subcontractor under the Contract fails to pay any claims lawfully made against it by any materialman, subcontractor, workman or other third persons which arise out of or in connection with the Contract or if in American's opinion any of the aforesaid contingencies is likely to arise, then American shall have the right, in its discretion, to withhold out of any payment (final or otherwise and even though such payments have already been certified as due) such sums as American may deem amply to protect it against delay or loss or to assume the payment of just claims of third persons, and to apply such sums in such manner as American may deem proper to secure such protection or satisfy such claims. All sums so applied shall be deducted from the Contractor's compensation. Omission by American to withhold out of any payment, final or otherwise, a sum for any of the above contingencies, even though such contingency has occurred at the time of such payment, shall not be deemed to indicate that American does not intend to exercise its right with respect to such contingency. Neither the above provisions for rights of American to withhold and apply monies nor any exercise, or attempted exercise of, or omission to exercise such rights by American shall create any obligation of any kind to such materialmen, subcontractors, workmen or other third persons. Until actual payment is made to the Contractor, its right to any amount to be paid under the Contract (even though such amount has already been certified as due) shall be subordinate to the rights

of American under this provision."

(2) American shall file with the Port Authority a copy of its contracts with its contractors prior to the start of the Preparation Work.

(d) American shall furnish or require its architect to furnish a full time resident engineer during the construction period. American shall require certification by a licensed engineer of all pile driving data and of all controlled concrete work and such other certifications as may be requested by the Port Authority from time to time. American shall submit all certifications and logs to the Port Authority's Resident Engineer.

(e) American agrees to be solely responsible for any plans and specifications used by it and for any loss or damages resulting from the use thereof, notwithstanding the same have been approved by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements. Notwithstanding the requirement for approval by the Port Authority of the contracts to be entered into by American or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Port Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to any contractors engaged by American or for any other matter in connection therewith and American hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claims for damages or losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any of the Preparation Work pursuant to the contracts between American and its contractors. Any warranties contained in any construction contract entered into by American for the performance of the Preparation Work hereunder shall be for the benefit of the Port Authority as well as American, and the contract shall so provide.

(f) The Port Authority shall have the right, through its duly designated representatives, to inspect the Preparation Work and the plans and specifications thereof, at any and all reasonable times during the progress thereof and from time to time, in its discretion, to take samples and perform testing in any part of the Preparation Work.

(g) American agrees that it shall deliver to the Port Authority an electronic CADD data file on a CD Rom in a format to be designated by the Port Authority and which shall conform to the specifications of the Port Authority (the receipt of a copy of said specifications prior to the execution of this Letter Agreement being hereby acknowledged by American), and all engineering reports, engineering analysis, boring logs, survey information and engineering design calculations and operation and

maintenance manuals in a comprehensive, coordinated package. American shall, during the term of the Lease, keep said digital electronic files of drawings and said electronic CADD data files current showing thereon any changes or modifications which may be made. (No changes or modifications shall be made without prior Port Authority consent.)

(h) American shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the Preparation Work, including but not limited to the fencing of the Premises or portions thereof or other areas and the covering of open areas with asphaltic emulsion or similar materials as the Port Authority may direct.

(i) (1) Without limiting the generality of any other term or condition of this Letter Agreement, title to any soil, dirt, sand or other material on the Premises or the Airport excavated by American during the course of the Preparation Work (all the foregoing being hereinafter called the "Excavated Material") and not used at the Premises shall vest in American upon the excavation thereof and all such Excavated Material shall be delivered and deposited by American at American's sole cost and expense to any location off the Airport in accordance with the terms and conditions of this Letter Agreement, including without limitation this paragraph 4 (i) and all Environmental Requirements. The entire proceeds, if any, of the sale or other disposition of the Excavated Material shall belong to American.

(2) In addition, in its performance of the Preparation Work American shall perform at its cost and expense all appropriate, required and necessary work for the removal of all asbestos, lead, petroleum contamination and other Hazardous Substances from the Site including without limitation the groundwater thereunder, the foregoing to include without limitation the handling, transporting and off-Airport disposal thereof in accordance with applicable law, including without limitation, all Environmental Requirements (including, if required, disposal of asbestos in a long-term disposal facility at American's sole cost and expense) and all in a manner satisfactory to the Port Authority, provided, however, the foregoing shall not require American to remove from the soil in the Site those chemicals set forth with respect to soil in the exhibit attached hereto, hereby made a part hereof and marked "Exhibit A" (hereinafter called "Exhibit A") to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil in, on and under the Site and shall not require American to remove from the ground water in, on and under the Site those chemicals set forth with respect to ground water in Exhibit A to levels lower than the Approved Cleanup Criteria therefor for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for ground water in, on and under the Site and provided, further, that in the use of any Approved Cleanup Criteria American shall comply with all requirements of all

Governmental Authorities for the use thereof including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport and all the requirements of the DEC pursuant to the ACO.

(3) Promptly upon any final disposition of any Hazardous Substance from the Premises or the Airport in the performance of the Preparation Work, American shall submit to the Port Authority a "Certification of Final Disposal" stating the type and amount of material disposed, the method of disposal and the owner and location of the disposal facility. The format of such certification shall follow the requirements, if any, of governmental agencies having jurisdiction as if the Port Authority were a private organization and the name of the Port Authority shall not appear on any certificate or other document as a generator or owner of such material.

(j) American shall pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third persons arising out of or in connection with or because of the performance of the Preparation Work, and shall cause its contractors and subcontractors to pay all such claims lawfully made against them, provided, however, that nothing herein contained shall be construed to limit the right of American to contest any claim of a contractor, subcontractor, materialman, workman and/or other person and no such claim shall be considered to be an obligation of American within the meaning of this subparagraph (j) unless and until the same shall have been finally adjudicated. American shall use its best efforts to resolve any such claims and shall keep the Port Authority fully informed of its actions with respect thereto. Nothing herein contained shall be deemed to constitute consent to the creation of any liens or claims against the Premises or any other area of the Airport nor to create any rights in said third persons against the Port Authority.

(k) (l) American in its own name as insured and including the Port Authority as an additional insured, including without limitation for both premises-operations and completed operations, shall procure and maintain Commercial General Liability Insurance, including but not limited to, premises-operations, products liability, broad form property damage, completed operations for a minimum of three years after the completion of the Preparation Work, explosion, collapse and underground property damages, personal injury (including death), and independent contractors in not less than the minimum limit set forth below, and with a contractual liability endorsement covering the obligations assumed by American pursuant to subparagraphs (a) and (e) of this paragraph 4 and the obligations required of American's contractors pursuant to said subparagraph (a) hereof, and Commercial Automobile Liability Insurance covering

owned, non-owned and hired vehicles in not less than the minimum limit set forth below, and a policy of Pollution Liability Insurance, on an occurrence basis, for the Preparation Work, including without limitation, asbestos abatement, lead abatement, site specific to the Preparation Work, third party claims for both on-site and off-site bodily injury (including death) and property damage, on-site and off-site clean-up of new conditions arising after the Effective Date, gradual and sudden occurrences, defense costs and completed operations for a minimum of three years after the completion of the Preparation Work and with a contractual liability endorsement covering the obligations assumed by American pursuant to paragraphs 17 and 22 hereof and the obligations assumed by American and its contractors pursuant to paragraph 4 (a) hereof with respect to Hazardous Substances, and such other insurance as the Port Authority may require in connection with the performance of the Preparation Work. American may provide such insurance by requiring each contractor engaged by it for the Preparation Work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by American or by a contractor engaged by it as aforesaid, not to contain any care, custody or control exclusions, and not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of American or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. In addition to the foregoing, American shall provide and maintain or shall require each contractor engaged by it for the Preparation Work to provide and maintain property and equipment insurance coverage for the full value of such personal property and equipment, said policy of property and equipment insurance shall cover and insure against such hazards and risks as are customarily insured under such a policy and shall contain an endorsement waiving any rights of subrogation of the insurer against the Port Authority. Each of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded American thereunder with respect to any claim or action against American by a third person shall pertain and apply with like effect with respect to any claim or action against American by the Port Authority, and shall also provide or contain an endorsement providing that the protections afforded the Port Authority thereunder with respect to any claim or action against the Port Authority by American shall be the same as the protections afforded American thereunder with respect to any claim or action against American by a third person as if the Port Authority were the named insured thereunder; but such provision or endorsement shall not limit, vary or affect the protections afforded the Port Authority thereunder as an additional insured. In addition, each of the said policy or policies of insurance shall be endorsed to state they are primary in relation to any insurance carried or maintained by the Port Authority, including without limitation, any self-insurance, regardless of type. All the foregoing insurance requirements shall be in addition to all policies of insurance otherwise required by the Lease.

Minimum Limits

Commercial General Liability Combined single limit per occurrence for death, bodily injury and property damage liability:	$100,000,000.00
Commercial Automobile Liability (covering owned, non-owned and hired vehicles) Combined single limit per occurrence for death, bodily injury and property damage liability:	$25,000,000.00
Pollution Liability Combined single limit per occurrence for death, bodily injury and property damage liability for both gradual and sudden occurrences:	$4,000,000.00

(2) Without limiting the provisions hereof, in the event American maintains the foregoing insurance in limits greater than aforesaid, the Port Authority shall be included therein as an additional insured to the full extent of all such insurance in accordance with all the terms and provisions hereof.

(3) American shall also procure and maintain in effect, or cause to be procured and maintained in effect, Workers' Compensation Insurance and Employer's Liability Insurance in accordance with and as required by law and including coverage for asbestos exposure.

(4) The insurance required hereunder in this subparagraph (k) shall be maintained in effect during the performance of the Preparation Work and a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority at least fifteen (15) days prior to the commencement of the Preparation Work or any portion thereof. In the event any binder is delivered, it shall be replaced within thirty (30) days by a certified copy of the policy or a certificate. Each such copy, certificate and binder shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and, also, contain a valid provision or endorsement that the policy may not be canceled, terminated, changed or modified without giving thirty (30) days' written advance notice thereof to the Port Authority and the City of New York. Each such copy and each such certificate with respect to the insurance required under this subparagraph (k) shall contain an additional endorsement providing that the insurance carrier shall not, without

obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy or certificate shall be delivered to the Port Authority prior to the expiration of each expiring policy. The aforesaid policies of insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, American shall promptly obtain a new and satisfactory policy in replacement, the Port Authority agreeing not to act unreasonably hereunder. If the Port Authority at any time so requests, a certified copy of each of the policies shall be delivered to the Port Authority.

(l) American shall procure and maintain Builder's Risk (All Risk) Completed Value Insurance covering the Preparation Work during the performance thereof including material delivered to the Premises or the construction site but not attached to the realty. Such insurance shall contain an endorsement waiving any rights of subrogation of the insurer against the Port Authority, shall be in compliance with and subject to the applicable provisions of Section 11 of the Lease and shall name the Port Authority, the City of New York and American and its contractors and subcontractors as additional insureds and such policy shall provide that the loss shall be adjusted with and payable to American. Such proceeds shall be used by American for the repair, replacement or rebuilding of the Preparation Work and any excess shall be paid over to the Port Authority. The policies or certificates representing insurance covered by this subparagraph (l) shall be delivered by American to the Port Authority at least fifteen (15) days prior to the commencement of construction of the Preparation Work or any portion thereof, and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereof and also contain a valid provision obligating the insurance company to furnish the Port Authority and the City of New York thirty (30) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least thirty (30) days before the expiration of the insurance which such policies are to renew. The insurance covered by this subparagraph (l) shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, American shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not

to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of the said policies shall be delivered to the Port Authority.

(m) American shall be under no obligation to reimburse the Port Authority for expenses incurred by the Port Authority in connection with its normal review and approval of the original plans and specifications submitted by American pursuant to this Letter Agreement. American however agrees to pay to the Port Authority upon its demand the expenses incurred by the Port Authority in connection with any additional review for approval of any changes, modifications or revisions of the original plans and specifications which may be proposed by American for the Port Authority's approval. The expenses of the Port Authority for any such additional review and approval shall be computed on the basis of direct payroll time expended in connection therewith plus 100. Wherever in this Letter Agreement reference is made to "direct payroll time", costs computed thereunder shall include a pro-rata share of the cost to the Port Authority of providing employee benefits, including, but not limited to, pensions, hospitalization, medical and life insurance, vacations and holidays. Such computations shall be in accordance with the Port Authority's accounting principles as consistently applied prior to the date of this Letter Agreement.

(n) American shall prior to the commencement of construction of the Preparation Work and at all times during such construction submit to the Port Authority all engineering studies and environmental test results with respect to the Preparation Work and samples of construction materials as may be required at any time and from time to time by the Port Authority.

(o) The Preparation Work shall be performed strictly in accordance with and subject to all the terms, conditions and provisions of the Lease, this Letter Agreement and the approved Construction Applications. In the event any of the terms, conditions and provisions of any Construction Application are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Letter Agreement, the terms, conditions and provisions of this Letter Agreement shall be controlling, effective and determinative and in the event any of the terms, conditions and provisions of the Lease are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Letter Agreement, the terms, conditions and provisions of this Letter Agreement shall be controlling, effective and determinative. American, if it elects to perform the Preparation Work under this Letter Agreement, shall perform the Preparation Work at American's sole cost and expense. American shall remove, re-do, replace or reconstruct at its own cost and expense any and all portions of the Preparation Work not done in accordance with the Construction Application covering such portion of the Preparation Work, the provisions of this Letter Agreement, including without limitation subparagraph (q) hereof, the Lease and any further requirements of the

Port Authority. American agrees that the Preparation Work, including workmanship and materials, shall be of first-class quality. Notwithstanding the generality of any other term or provision hereof, American understands and agrees that it shall cease the Preparation Work or any portion thereof at any time and from time to time immediately upon notice from the General Manager of the Airport in accordance with and pursuant to paragraph 4 (q) hereof.

(p) (1) Without limiting any of the terms and conditions of the Lease, American understands and agrees that it shall put into effect prior to the commencement of any of the Preparation Work an affirmative action program and Minority Business Enterprise (MBE) program and Women-owned Business Enterprise (WBE) program in accordance with the provisions of Schedule E attached hereto and hereby made a part hereof (hereinafter "Schedule E"); as used in Schedule E the term "construction work" shall apply to the Preparation Work . The provisions of said Schedule E shall be applicable to American's contractor or contractors and subcontractors at any tier of construction as well as to American itself and American shall include the provisions of said Schedule E within all of its construction contracts so as to make said provisions and undertakings the direct obligation of the construction contractor or contractors and subcontractors at any tier of construction. American shall and shall require its said contractor, contractors and subcontractors to furnish to the Port Authority such data, including but not limited to compliance reports relating to the operation and implementation of the affirmative action, MBE and WBE programs called for hereunder as the Port Authority may request at any time and from time to time regarding the affirmative action, MBE and WBE programs of American and its contractor, contractors, and subcontractors at any tier of construction, and American shall and shall also require that its contractor, contractors and subcontractors at any tier of construction make and put into effect such modifications and additions thereto as may be directed by the Port Authority pursuant to the provisions hereof and said Schedule E to effectuate the goals of affirmative action and MBE and WBE programs.

(2) In addition to and without limiting any terms and provisions of this Letter Agreement, American shall provide in its contracts and all subcontracts covering the Preparation Work or any portion thereof, that:

(aa) The contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and shall undertake or continue existing programs of affirmative action to ensure that minority group persons are afforded equal employment opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including

apprenticeships and on-the-job training;

(bb) At the request of either the Port Authority or American, the contractor shall request such employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding and which is involved in the performance of the contract with American to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the contractor's obligations hereunder;

(cc) The contractor will state, in all solicitations or advertisements for employees placed by or on behalf of the contractor in the performance of the contract, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status;

(dd) The contractor will include the provisions of subparagraphs (aa) through (cc) of this paragraph in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with the contract;

(ee) "Contractor" as used herein shall include each contractor and subcontractor at any tier of construction.

(q) (1) American shall not commence the Preparation Work to be performed under each Construction Application unless and until it has met with the General Manager of the Airport or his designated representative and has given him at least 72 hours advance notice of its intention to perform such Preparation Work. Scheduling of the Preparation Work shall be coordinated with the General Manager of the Airport or his duly authorized representative.

(2) The performance by American of the Preparation Work will be at its sole risk and if for any reason the Proposed Redevelopment Plan or the plans and specifications for any Pending Construction Application or for the Redevelopment Work are not approved by the Port Authority or if the approval thereof calls for modifications or changes in the Preparation Work undertaken by American, American will, at its sole cost and expense, make such modifications and changes in any such Preparation Work as may be required by the Port Authority. No work performed under any Construction Application shall affect or limit the obligations of American under all prior Construction Applications.

(3) Without limiting any other term or provision of this Letter Agreement including without limitation subparagraph (o) above, in the event that American shall at any time during the construction of any portion of the Preparation Work fail, in the opinion of the General Manager of the Airport, to comply with all of the provisions of the Lease, this Letter Agreement or the approved Construction Application covering said portion of the Preparation Work or be, in the opinion of the said General Manager, in breach of any of the provisions of the Lease, this Letter Agreement or the approved Construction Application covering such portion of the Preparation Work, the Port Authority shall have the right, acting through said General Manager, to cause American to cease all or such part of the Preparation Work as is being performed in violation of the Lease, this Letter Agreement or the approved Construction Application. Upon such written direction from the General Manager of the Airport, American shall promptly cease construction of the portion of the Preparation Work specified. American shall thereupon submit to the Port Authority for its written approval American's proposal for making modifications, corrections or changes in or to the Preparation Work that has been or is to be performed so that the same will comply with the provisions of the Lease, this Letter Agreement and the approved Construction Application. American shall not commence construction of the portion of the Preparation Work that has been halted until such written approval has been received.

(4) It is hereby expressly understood and agreed that neither the Resident Engineer nor the field engineer mentioned in subparagraph (t) below have any authority to approve any plans and specifications of American with respect to the Preparation Work or the Redevelopment Work, to approve the construction by American of any portion of the Preparation Work or the Redevelopment Work or to agree to any variation by American from compliance with the terms of the Lease, this Letter Agreement and the approved Construction Application. Notwithstanding the foregoing, should the Resident Engineer or said field engineer give any directions or approvals with respect to American's performance of any portion of the Preparation Work which are contrary to the provisions of the Lease, this Letter Agreement or the approved Construction Application covering said portion of the Redevelopment Work, said directions or approvals shall not affect the obligations of American as set forth herein nor release or relieve American from strict compliance therewith.

(5) It is hereby further understood and agreed that the Port Authority has no duty or obligation of any kind whatsoever to inspect or police the performance of the Preparation Work by American and the rights granted to the Port Authority under this Letter Agreement shall not create or be deemed to create such a duty or obligation. Accordingly, the fact that the General Manager of the Airport has not exercised the Port Authority's right to require American to cease its construction of all or any part of the Preparation Work shall not be or be deemed to be an agreement or acknowledgment on the part of the Port Authority that American has in fact performed

such portion of the Preparation Work in accordance with the terms of the Lease, this Letter Agreement and the approved Construction Application covering such portion of the Preparation Work nor shall such fact be or be deemed to be a waiver by the Port Authority from the requirement of strict compliance by American with the provisions of the Lease, this Letter Agreement and the approved Construction Application with respect to such Preparation Work.

(6) American hereby acknowledges that if it commences the Preparation Work pursuant to this Letter Agreement it shall do so with full knowledge that it may not be permitted to perform additional portions of the Preparation Work or the Redevelopment Work and/or that there may not be continuity by it in the performance of other portions of the Preparation Work or the Redevelopment Work under the procedures of this Letter Agreement or otherwise.

(7) No approval of any Pending Construction Application shall create or be deemed to create any obligation on the part of the Port Authority to permit subsequent work to be performed in connection with the Preparation Work or the Redevelopment Work. It is understood that no such approval shall release or relieve American from its obligation to submit complete plans and specifications for the Preparation Work and to obtain the Port Authority's approval of the same as required by the Lease and as set forth this Letter Agreement.

(r) In connection with the performance of the Preparation Work American shall be responsible for identifying the location of all utilities and shall prior to the commencement of any of the Preparation Work coordinate such Preparation Work with the New York City and Long Island One Call toll free service (1-800-272-4480) and ascertain the location of underground utilities, if any, at the Premises and off the Premises in the vicinity where any of the Preparation Work is to be performed. American shall provide the Port Authority with the written evidence of such coordination.

(s) In the performance of the Preparation Work American shall not employ any contractor nor shall American or any of its contractors employ any persons or use or have any equipment or materials or allow any condition to exist if any such shall or, in the opinion of the Port Authority, may cause or be conducive to any labor troubles at the Airport which interfere, or in the opinion of the Port Authority are likely to interfere, with the operations of others at the Airport or with the progress of other construction work thereat. The determinations of the Port Authority shall be conclusive to American. Upon notice from the Port Authority, American shall immediately remove such contractor or withdraw or cause its contractors to withdraw from the Airport, the persons, equipment or materials specified in the notice and replace them with unobjectionable contractors, persons, equipment and materials and American shall or shall cause its contractor to immediately rectify any condition specified in the notice. In

the event of failure by American or any of its contractors to immediately comply with the requirements of this paragraph (whether or not such failure is due to American's fault), the Port Authority shall have the right to suspend American's right to perform the Preparation Work without prior notice; when the labor troubles shall be so settled that such interferences or the danger thereof no longer exists, the Port Authority, by notice to American, shall reinstate said right on all the same terms and conditions as before the suspension. "Labor troubles" shall mean and include strikes, boycotts, picketing, work-stoppages, slowdowns, complaints, disputes, controversies or any other type of labor trouble, regardless of the employer of the person involved or their employment status, if any.

(t) American will give the General Manager of the Airport at least 72 hours advance notice prior to the commencement of construction of the Preparation Work, or any portion thereof. The Port Authority will assign to the Preparation Work a full time field engineer or engineers. American shall pay to the Port Authority for the services of said engineer or engineers, the sum of Six Hundred Ninety-two Dollars and No Cents ($692.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the 1999 calendar year, and the sum of Seven Hundred Five Dollars and No Cents ($705.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the 2000 calendar year, and the sum of Seven Hundred Twenty Dollars and No Cents ($720.00) per engineer for each day or part thereof that the engineer or engineers are so assigned during the 2001 calendar year, and for each and every calendar year thereafter, the rate that the Port Authority shall charge other lessees at the Airport for the services of such engineer or engineers during such calendar year for each day or part thereof that the engineer or engineers are so assigned for such calendar year, provided, however, and notwithstanding the foregoing in the event any such field engineer shall be so assigned for a half-day or less then the rate American shall pay to the Port Authority for such day for such engineer shall be equal to one half of the applicable daily rate set forth above for such engineer. The Port Authority shall bill American for the services of said field engineer(s) no less frequently than once a month. Nothing contained in this subparagraph (t) shall affect any of the provisions of or the rights of the Port Authority under this Letter Agreement.

(u) (1) The Preparation Work shall be constructed in such a manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the Premises by American and from the operations of American under this Letter Agreement. Accordingly, and in addition to all other obligations imposed on American under this Letter Agreement and without diminishing, limiting, modifying or affecting any of the same, American shall be obligated to construct as part of the Preparation Work hereunder such structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the foregoing and each of the foregoing shall be and become a part of the Preparation

Work hereunder.

(2) Notwithstanding the provisions of subparagraph (u)(1) above and in addition thereto, the Port Authority hereby reserves the right from time to time and at any time during the term of the Lease to require American, subsequent to the completion of the Preparation Work to design and construct at its sole cost and expense such further reasonable structures, fences, equipment, devices and other facilities as maybe necessary or appropriate to accomplish the objectives as set forth in the first sentence of subparagraph (u)(1) hereof. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. American shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. All other provisions of this subparagraph (u)(1) with respect to the Preparation Work shall apply and pertain with like effect to any work which American is obligated to perform pursuant to this subparagraph (u) and upon completion of each portion of such work it shall be and become a part of the Premises.

(v) Without limiting any other term or provision hereof, American shall complete the design of and perform the Preparation Work in a manner consistent with on-going roadway, frontage and utility improvements of the Port Authority or others at the Airport and the construction of the LRS.

(w) In the performance of the Preparation Work, American shall not exacerbate the environmental condition of the Premises or the Airport.

(x) In the event KIAC does not permit American to relocate or perform any other work in connection with the TDS (including without limitation the lateral mains and heat exchangers) constituting a portion of the Preparation Work, such relocation and other work shall be performed by KIAC or KIAC's contractors, as determined by KIAC, at the sole cost and expense of American. Such work, upon completion, will become a part of the TDS at the Airport and will become the property of the Port Authority or of its designee and will not be a part of the Premises.

(y) (1) The Port Authority shall have no responsibility for bringing to the Premises any utility service lines for the supply of cold water, electric power, and sanitary and storm sewers, or any other utility or service lines, except for the utility service lines that may be serving the Premises on the date of this Letter Agreement appearing on page 1 hereof. If American determines that it will require that additional utility service lines be brought to the Premises or that the capacity of one or more of the existing utility service lines serving the Premises be greater than the capacity which existed on the date of this Letter Agreement appearing on page 1 hereof, American shall submit to the Port Authority for the Port Authority's approval a tenant alteration application covering the work to provide the additional utility service line capacity to the

Premises (hereinafter called the "Off-Site Utility Service Line Work") which work when and if approved by the Port Authority shall be performed by American at American's sole cost and expense in accordance with all the terms and provisions of this Letter Agreement, provided, however, that the Off-Site Utility Service Line Work shall not be or become a part of the Premises.

(2) [illegible] American agrees at its sole cost and expense, if directed by the Port Authority so to do, to relocate and reinstall such communications and utility lines and conduits on the Premises or off the Premises as directed by the Port Authority and to restore all affected areas (such work being hereinafter collectively called the "Relocation Work"). American shall perform the Relocation Work subject to and in accordance with all the terms and provisions of this Letter Agreement and the Relocation Work shall be and become a part of the Preparation Work, it being understood, however, that the Relocation Work shall not be or become a part of the Premises.

5. Except as set forth in paragraph 4 (x) hereof, title to all the Preparation Work shall pass to the City of New York as the same or any part thereof is erected, construction or installed and the same except as expressly set forth in this Letter Agreement, including without limitation paragraphs 4(x) and 4(y) hereof shall be and become a part of the Premises if located on the Premises. Neither the foregoing provisions of this paragraph 5 nor the provisions of paragraph 4(i) above shall affect the risks and obligations assumed by American hereunder nor release American from the performance of its removal and restoration obligations as set forth in this Letter Agreement.

6. American acknowledges that it will be continuing its operations at the Premises under the Lease during the period of time it is performing the Preparation Work hereunder. American further acknowledges that this may involve among other things inconvenience, noise, dust, interference and disturbance to American in its operations at the Premises as well as to its customers, patrons, invitees and employees and possibly other risks as well. American hereby expressly assumes all of the foregoing risks and agrees that there will be no reduction or abatement of any of the rentals, fees or charges payable by American under the Lease or otherwise on account of its performance of the Preparation Work and that the performance of the Preparation Work shall not constitute an eviction or constructive eviction of American nor be grounds for any abatement of rents, fees or charges payable by American under the Lease or otherwise nor give rise to or be the basis of any claim or demand by American against the Port Authority, its Commissioners, officers, employees or agents for damages, consequential or otherwise.

7. Without in any way limiting any rights of the Port Authority under this Letter Agreement or otherwise to not approve or not consent to any ACO Work or Redevelopment Work or to not enter into the Proposed Agreement or to not enter into a supplemental agreement to this Letter Agreement, American hereby understands, covenants and agrees that it shall not perform any ACO Work or Redevelopment Work that is not a part of the Preparation Work initially included in this Letter Agreement (any such ACO Work or Redevelopment Work being hereinafter called the "Additional Work") without the prior written

approval of the Port Authority and without a supplement to this Letter Agreement covering such Additional Work having been duly executed by the Port Authority and American or the Proposed Agreement, if any, having been duly executed by the Port Authority and American. In the event American performs any Additional Work prior to the Proposed Agreement, if any, having been duly executed by the parties hereto and without a supplement to this Letter Agreement covering such Additional Work having been duly executed by American and the Port Authority, American hereby agrees that such Additional Work shall and shall be deemed to be a part of the Preparation Work hereunder and all the terms, provisions and conditions of this Letter Agreement shall apply and pertain to such Additional Work. Further, it is understood if and when the Proposed Agreement is entered into that the terms and conditions of the Proposed Agreement, if any, will supersede this Letter Agreement.

8. Prior to the commencement of any of the Preparation Work, American shall, at its sole cost and expense, obtain from the New York State Department of Environmental Conservation ("DEC") and maintain in effect its own dewatering permit and its own New York State Pollution Discharge Elimination System (SPDES) construction permit or the DEC equivalent thereof in American's own name covering the Preparation Work (which dewatering and construction permits are herein called "American's Permits") for the removal of groundwater and discharge elimination in connection with all or any of the Preparation Work. Maximum flow from the dewatering systems shall not exceed permissible limits defined in American's Permits. American shall comply with all the terms and conditions of American's Permits and with any and all additional requirements of the DEC and notwithstanding anything in American's Permits to the contrary, the use of American's Permits shall not violate or be the cause of the violation of any existing and future dewatering or SPDES permits at the Airport. In the event that the projected zone of influence of any planned dewatering system is found to extend into any area outside of the Premises, American shall notify the Port Authority by submitting to the Geotechnical Unit of the Port Authority the proposed dewatering design for review and approval.

9. Nothing contained in this Letter Agreement shall grant or be deemed to grant any contractor, architect, supplier, subcontractor or any other person engaged by American or any of its contractors in the performance of any part of the Preparation Work any right of action or claim against the Port Authority, its Commissioners, officers, agents and employees with respect to any work any of them may do in connection with the Preparation Work. Nothing contained herein shall create or be deemed to create any relationship between the Port Authority and any such contractor, architect, supplier, subcontractor or any other person engaged by American or any of its contractors in the performance of any part of the Preparation Work and the Port Authority shall not be responsible to any of the foregoing for any payments due or alleged to be due thereto for any work performed or materials purchased in connection with the Preparation Work.

10. When the work to be performed pursuant to each Construction Application is substantially completed and ready for use, American shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of American and also signed by American's licensed architect or engineer certifying that such work has been constructed in accordance with the approved plans and specifications and the provisions

of the Lease and this Letter Agreement and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders and specifying that such portion of the Preparation Work can be properly used. The Port Authority may in its sole discretion deliver a certificate to American with respect to each such portion of the Preparation Work permitting American to use such portion thereof for the purposes set forth in the Lease. In such event American may use such portion of the Preparation Work subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by American and further subject to the risks as set forth in this Letter Agreement including without limitation this paragraph 10 and paragraphs 4(o), 4(q), 6, 13, and 14 hereof.

11. Without limiting any other term, provision or condition hereof, American agrees to provide the General Manager of the Airport, at American's cost and expense, with such information, documentation, records, correspondence, notices, reports, test results, certifications and any other information necessary to carry out the terms, provisions and conditions of this Letter Agreement and to allow the Port Authority to determine whether American is in compliance with all of the terms, conditions and provisions of this Letter Agreement. In addition, American shall provide to the Port Authority copies of all information, documentation, records, correspondence, requests, approvals, notices, certifications, reports, test results, submittals and all other written communication between a Governmental Authority and American with respect to the Preparation Work and the ACO at the same time the same are provided by American to a Governmental Authority and within two (2) business days that the same are provided to American by a Governmental Authority.

12. Neither this Letter Agreement nor anything contained in any approval granted by the Port Authority in connection with the Preparation Work or otherwise pursuant to this Letter Agreement shall constitute a determination or indication by the Port Authority that American has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited to those of the City of New York, which may pertain to the work to be performed.

13. (a) American hereby specifically acknowledges and agrees that neither this Letter Agreement nor any approval of the Preparation Work by the Port Authority nor any performance of the Preparation Work nor any expenditure of monies thereon shall grant or shall be deemed to have granted any rights whatsoever in American to enter into the Proposed Agreement or any other agreement covering the extension of American's letting of the Premises, the demolition of Buildings Nos. 56 and/or 57 or any other aspects of the Proposed Arrangement, or to lease, use or occupy the Premises or any part thereof except as set forth in Lease No. AYB-085, or to lease, use or occupy any other land or building space at the Airport, or to any approval of the Redevelopment Work, or to be reimbursed by the Port Authority for American's cost of performing the Preparation Work or any portion thereof. American understands that there may be many problems to be resolved before the Proposed Agreement, if any, is agreed to and

executed, the Proposed Redevelopment Plan is approved by the Port Authority and American obtains financing for the Proposed Redevelopment Work and that all such problems may not be resolved. American hereby acknowledges and agrees that if it proceeds with the Preparation Work covered by this Letter Agreement, it shall do so at its sole risk being fully cognizant of the fact that the entire expenditure of monies by it on the performance of the Preparation Work may be of limited benefit to American and without consideration in that American may not enjoy any or only limited beneficial use of the Preparation Work in that all or portions of the Premises are or may be subject to termination by the Port Authority pursuant to the Lease, the Proposed Agreement or any other agreement covering the Proposed Arrangement and the Redevelopment Work may never be entered into and no portion of the Redevelopment Work, other than the Preparation Work, may ever be performed. American further acknowledges and agrees that the Port Authority shall have no obligation under the Lease or otherwise, including without limitation, upon any expiration or earlier termination of the letting under the Lease, with respect to the cost or financing of the Preparation Work, including but not limited to, any obligation to reimburse American for the cost of any portion thereof or to approve or enter into any agreement in connection with the financing of future improvements to the Premises, including without limitation, the Preparation Work. American hereby agrees it shall never introduce in any forum the fact that American performed the Preparation Work or any portion thereof as the basis for a contention there is in fact or by inference or by implication any agreement between American and the Port Authority to enter into the Proposed Agreement or any other agreement covering American's leasing, use or occupancy of the Premises except for Lease No. AYB-085, or to extend the letting under Lease No. AYB-085 or to otherwise amend, supplement, modify, supercede or replace Lease No. AYB-085, or for the Port Authority not to exercise its termination rights under the Lease or otherwise, or to lease other land or building space to American, or to permit American to demolish Building Nos. 56 and/or 57, or to reimburse American for the Preparation Work or any portion thereof, or to undertake or fail to undertake any action in connection with the financing of any improvements to the Premises or at the Airport, or to permit any additional Redevelopment Work to be performed and American agrees that it shall not claim that it is entitled in law or in equity to any of the foregoing or to any compensation, award, suit, action or proceeding because of this Letter Agreement or the Port Authority's approval of the Pending Construction Applications or the Preparation Work, or the performance of the Preparation Work or any portion thereof or the expenditure of monies thereon by American.

(b) American further specifically acknowledges and agrees that the Port Authority shall have as full discretion in negotiating the provisions of the Proposed Agreement irrespective of the Status Letter and as if there had been no permission granted by the Port Authority to perform the Preparation Work or any portion thereof and the Preparation Work had not been performed and monies expended thereon. Further, American hereby specifically acknowledges that the staffs of American and the Port

Authority may not reach agreement on the terms and provisions of the Proposed Agreement.

14. American specifically acknowledges and agrees that no statements, representations, promises or assurances other than as set forth in this Letter Agreement have been made or given to it by representatives of the Port Authority or shall be relied on by it with respect to the risks and obligations being assumed hereunder if it elects to proceed with the Preparation Work and that it shall never introduce in any forum any alleged statement, representation, promise or assurance, including without limitation, the Status Letter, to the extent that the same would change or affect the express and precise provisions of this Letter Agreement and the cost, expenses, risks and obligations assumed by American hereunder, and American hereby affirms its acceptance of all costs, expenses, risks and obligations hereunder.

15. The words "conditions", "terms" and "provisions" are used interchangeably in this Letter Agreement and each shall mean all of the terms, conditions and provisions including without limitation all indemnities of this Letter Agreement or all of the terms, conditions and provisions including without limitation all indemnities of the Lease or all of the terms, conditions and provisions including without limitation all indemnities of the Proposed Agreement or all of the terms, conditions and provisions including without limitation all indemnities of the ACO, as the case shall be.

16. Without limiting the generality of any other term or condition hereof and notwithstanding anything to the contrary contained in the Lease nor any other fact or circumstance to the contrary, it is hereby understood and agreed that neither Section 84 of the Lease nor any portion thereof shall pertain or apply to the Preparation Work or any other matter covered by this Letter Agreement and that this Letter Agreement shall and shall be deemed to have replaced and superceded said Section 84 with respect to the Preparation Work and any other matter covered by this Letter Agreement.

17. (a) Without limiting any other term, provision or condition contained in this Letter Agreement and in addition thereto and notwithstanding anything to the contrary in the Lease, the ACO, any Construction Application or any approval by the Port Authority and except as set forth in paragraph (b) below, American on its own behalf and on behalf of its predecessors, successors, assigns and insurers agrees to assume all responsibility for and to forever remise, release, discharge, hold harmless, reimburse and indemnify the Port Authority, its Commissioners, officers, employees and representatives from and against, including without limitation reimbursing the Port Authority for its costs and expenses (including without limitation all legal costs and expenses including the costs and expenses of the Port Authority's own in-house legal staff) incurred in connection with the defense of, any and all past, present and future Liabilities whatsoever on account of, arising or alleged to arise out of, or in any way related to or in connection with, or caused by or resulting from, a Risk-based Clean-up or any Environmental Requirement related to the Preparation Work (all the foregoing to include without

limitation the compliance with and/or violation of any Environmental Requirement, including without limitation, the investigation, remediation, excavation, removal, clean-up, management, encapsulation, containment, abatement, treatment, monitoring, transportation, disposal, release, spill, deposit, emission, migration, seepage, leakage, discharge, handling, and storage of Hazardous Substances, the exacerbation of contamination, the cost of demolition and rebuilding of any improvements on the Premises and/or the Site, any increased construction costs and expenses, any construction delays, the performance of any dewatering or discharging by American and the use of American's Permits) or arising or alleged to arise out of, or in any way related to, a breach or default of American's obligations under this paragraph 17 or under this Letter Agreement with respect to any Hazardous Substance or any Environmental Requirement including without limitation all costs and expenses, (including without limitation, those of Port Authority's staff) in enforcing the provisions thereof, and whether any of the foregoing arise out of any Hazardous Substance on the Premises prior to or after the effective date of the letting of the Premises to American under the Lease or on the Site prior to or after the commencement of the Preparation Work or out of the acts or omissions of American or of the Port Authority or of the contractors of American or of the Port Authority or of third persons or out of the acts of God or the public enemy or otherwise. If so directed, American shall at its own expense defend any suit based upon the foregoing and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(b) American shall not be required under this paragraph 17 to assume any Liabilities for any Environmental Restriction arising solely from the Existing Condition to the extent the Existing Condition was not caused by the acts or omissions of American or its sublessees or its other permitted users of the Premises, it being understood and agreed that American shall be required under this paragraph 17 to assume all Liabilities for all Environment Restrictions arising solely or in part from any Hazardous Substance that is not an Analyzed Item or solely or in part from any Hazardous Substance that is an Analyzed Item but is not a part of the Existing Condition or from any portion of the Existing Condition caused by the acts or omissions of American or its sublessees or its other permitted users of the Premises.

(c) Without limiting the generality of any other term or provision of this Letter Agreement or the Lease, American shall, if and as directed by the Port Authority, clean-up, remediate and restore the Site and the Premises and the groundwater thereunder and take any other action to remove any Environmental Restriction arising out of, caused by or resulting from any Risk-based Clean-up except for an Environmental Restriction arising solely from the Existing Condition to the extent the Existing

Condition was not caused by the acts or omissions of American or its sublessees or its other permitted users of the Premises, it being understood and agreed that American shall be required under this paragraph 17 to remove all Environment Restrictions arising out of, caused by or resulting from any Risk-based Clean-up solely or in part from any Hazardous Substance that is not an Analyzed Item or solely or in part from any Hazardous Substance that is an Analyzed Item but is not a part of the Existing Condition, including without limitation, if in the removal of any such Environmental Restriction any portion of the Existing Condition shall be cleaned-up, remediated or removed, then American shall assume all costs, expenses and responsibility whatsoever for such clean-up, remediation and removal of that portion of the Existing Condition.

(d) Nothing contained in nor not contained in this paragraph 17 shall nor shall be deemed to limit the generality thereof, except, however, it is hereby agreed that American shall not be required to indemnify the Port Authority pursuant to this paragraph 17 where such indemnity is precluded by statute.

18. No failure by the Port Authority to insist upon the strict performance of any agreement, term or condition of this Letter Agreement or to exercise any right or remedy consequent upon a breach or default thereof, and no supplement or amendment of this Letter Agreement or the Lease during or after a breach thereof, unless expressly stated to be a waiver, and no acceptance by the Port Authority of rentals, fees, charges or other payments pursuant to the Lease or this Letter Agreement in whole or in part after or during the continuance of any such breach or default, shall constitute a waiver of any such breach or default of such agreement, term or condition. No agreement, term or condition of this Letter Agreement to be performed or complied with by American, and no breach or default thereof, shall be waived, altered or modified except by a written instrument executed by the Port Authority. No waiver by the Port Authority of any default or breach on the part of American in performance of any of agreement, term or condition of this Letter Agreement shall affect or alter this Letter Agreement, but each and every agreement, term and condition thereof shall continue in full force and effect with respect to any other then existing or subsequent breach or default thereof.

19. It is hereby understood and agreed that the indemnities set forth in this Letter Agreement are in addition to and not a limitation on all indemnities set forth in the Lease.

20. (a) Neither the Commissioners of the Port Authority, nor any of them, nor any officer, agent or employee thereof shall be charged personally by American with any liability or held liable to American under any term or provision of this Letter Agreement or because of its execution or attempted execution or because of any breach or alleged or attempted breach thereof.

(b) The terms and conditions of this Letter Agreement are intended to allocate obligations and responsibilities between the Port Authority and American only, and nothing in this Letter Agreement shall limit, modify or otherwise alter the rights and

remedies which the Port Authority or American may have against third parties at law, equity or otherwise.

21. The terms, provisions and conditions of this Letter Agreement shall survive the completion of the Preparation Work and any portion thereof and any expiration or earlier termination of the letting or any portion thereof under the Lease.

22. Without limiting American's obligations under any Construction Application, the Lease or this Letter Agreement and notwithstanding anything to the contrary contained in the Lease, including without limitation, Section 84, Exhibit I and Exhibit L thereof, or any Construction Application, nor any other fact or circumstance to the contrary, American shall in the performance of the Preparation Work be fully responsible at its sole cost and expense and shall relieve the Port Authority for and from compliance with all Environmental Requirements applicable to American's performance of the Preparation Work. In the event that the Port Authority shall be ordered, requested or required to comply with any Environmental Requirement for which American is responsible pursuant to this Letter Agreement to comply with, American shall upon notice from the Port Authority and at its sole cost and expense and in its own name do and perform whatever is required to comply with such Environmental Requirement notwithstanding the issuance of any no further action letter or other release granted by the DEC pursuant to the ACO.

23. (a) No review of, comment on or objection to or failure to review, object to or comment on the ACO by the Port Authority, nor the incorporation in the ACO of any Port Authority comment or objection, nor the specific mention of or reference to the Port Authority, including without limitation its policies or practices, in any part of the ACO shall or shall be deemed to have imposed any duty, obligation, limitation or liability on the Port Authority, including without limitation, with respect to any consent or approval of the Port Authority now or hereafter to be obtained, nor shall anything in this Letter Agreement or the ACO be or be deemed to create an inference that the Port Authority has granted or would grant its consent or approval to any matters not specifically covered by this Letter Agreement but referred to in the ACO which under the Lease or this Letter Agreement require the further consent or approval of the Port Authority or that the Port Authority shall hereafter grant its consent or approval thereto or that the Port Authority's discretion as to granting any such consents or approvals shall in any way be affected or impaired. The lack of any specific reference in any provision of the ACO to Port Authority approval or consent shall not be deemed to imply that no approval or consent is required and with respect such approvals and consents the Lease and this Letter Agreement shall in all respects be controlling, effective and determinative. Without limiting the generality of the foregoing, American acknowledges and agrees that pursuant to the Lease and this Letter Agreement that it shall not perform any work to be performed pursuant to the ACO, including without limitation the use of any risk based clean-up levels or goals or other regulatory approved clean-up levels or goals, unless approved in advance in writing by the Port Authority and that no Port Authority approval

shall release American from any of its obligations under the Lease or this Letter Agreement, provided, however, American may in its performance of the Preparation Work use the Approved Cleanup Criteria for so long as the DEC shall continue its approval and acceptance of such Approved Cleanup Criteria for soil and groundwater in, on and under the Premises and provided that American shall comply with all requirements of all Governmental Authorities for the use of the Approved Cleanup Criteria including without limitation those set forth in the letter dated June 28, 1996 from Steven Miller of the DEC to Marvin Kirshner of the Port Authority covering the DEC's conditional approval of the use of such Approved Cleanup Criteria in certain areas of the Airport and with all the requirements of the DEC pursuant to the ACO. In performing any work pursuant to the ACO, American shall comply with all the agreements, terms and conditions of the Lease, this Letter Agreement and all applicable Port Authority approvals.

(b) In the event any of the terms, conditions, and provisions of the ACO are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of the Lease, as between the Port Authority and American, the terms, conditions and provisions of the Lease shall be controlling, effective and determinative and in the event any of the terms, conditions and provisions of the ACO are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Letter Agreement, as between the Port Authority and American, the terms, conditions and provisions of this Letter Agreement shall be controlling, effective and determinative. Further, in the event any of the terms, conditions and provisions of the ACO are not contrary to, or do not conflict with or are not inconsistent with the Lease but are contrary to or conflict or are inconsistent with any of the terms, conditions and provisions of this Letter Agreement, the terms, conditions and provisions of this Letter Agreement shall be controlling, effective and determinative. Neither the ACO nor any action taken or not taken or performance or non-performance thereunder shall affect or alter or be deemed to have affected or altered the rights and remedies of the Port Authority under the Lease, this Letter Agreement or as the operator of the Airport. Further, no fulfillment of American's obligations pursuant to the ACO or release of American thereunder by the DEC, including without limitation the issuance of any no further action letter by the DEC, shall or shall be deemed to mean or imply that American has fulfilled all, or been released from any, of its obligations under the Lease or this Letter Agreement.

(c) Neither the ACO nor anything contained therein, nor any action taken, approval or release granted or performance pursuant thereto shall release, excuse or relieve American from any of its promises or obligations under the Lease or this Letter Agreement nor have affected any rights or remedies of the Port Authority with respect to

American or any rights or remedies of the Port Authority under this Letter Agreement or the Lease. In addition, no consent or approval given by the Port Authority in connection with any matter covered by the ACO shall be or shall be deemed to be consent to any matter not expressly set forth in such consent or approval.

(d) American acknowledges and agrees that the ACO has been entered into between American and the DEC, that the Port Authority is not a party to the ACO and that the Port Authority shall have no liability, obligation or responsibility with respect thereto or the obligations, liabilities and responsibilities of American thereunder and no term, condition or provision of the ACO shall be binding on or effective against or with respect to the Port Authority. Without limiting the generality of the foregoing and notwithstanding any review by the Port Authority of the ACO or any portion thereof nor any comment by the Port Authority thereon or failure of the Port Authority to comment thereon, the Port Authority shall have no liability or responsibility with respect to the information, facts, statements or other matters contained in or covered by the ACO, including without limitation their accuracy, completeness, correctness or truthfulness, nor shall any such information, facts, statements or matters be binding on the Port Authority in anyway whatsoever, including without limitation any presumption that they are accurate, complete, correct or true. In addition, no objection to, review of or comment on nor any failure to review, object to or comment on the ACO by the Port Authority shall or shall be deemed to be any representation or warranty by the Port Authority as to the accuracy, completeness, correctness or truthfulness of any information, fact, statement or matter covered by the ACO, including without limitation, any references to the Port Authority or its policies or requirements.

(e) American acknowledges and agrees that the ACO shall not create nor be used to create a presumption or admission that the Port Authority is, or be the basis upon which the Port Authority is made or claimed to be, a potentially responsible or responsible party for the contamination covered by the ACO nor shall the inclusion in of the Port Authority in the ACO in the same manner as other potentially responsible parties in any way change or affect the Port Authority's obligations or liabilities with respect to such contamination.

24. For the purposes of this Letter Agreement, the following terms shall have the respective meanings provided below:

(a) "ACO" shall mean the Administrative Order on Consent (DEC File No. R2-3519-91-02) (including without limitation all portions thereof incorporated by reference, such as but not limited to, the "CAP" and "Delineation Report" as defined

therein) entered into or to be entered into, as the case shall be, by American with the New York State Department of Environmental Conservation covering the Premises, as the same may be amended and supplemented.

(b) "ACO Work" shall mean all work performed pursuant to the ACO.

(c) "Approved Cleanup Criteria" shall mean with respect to those chemicals in the soil in, on and under the Premises and as set forth with respect to soil in Exhibit A, the levels set forth for soil in the column entitled "Cleanup Criteria" on Exhibit A and shall mean with respect to those chemicals in the groundwater in, on and under the Premises and as set forth with respect to groundwater in Exhibit A, the levels set forth for groundwater in the column entitled "Cleanup Criteria" on Exhibit A.

(d) "Effective Date" shall mean October 1, 1999.

(e) "Environmental Requirements" shall mean in the plural and "Environmental Requirement" shall mean in the singular all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises, requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "best management practices plans", and other voluntary programs adopted and agreements made by the Port Authority with any governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, the foregoing to include without limitation:

(i) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist;

(ii) All requirements pertaining to the protection of the health and safety of employees or the public;

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(iii) The Atomic Energy Act of 1954 , 42 U.S.C. Section 2011 et. seq.; the Clean Water Act also known as the Federal Water Pollution Control Act ("FWPCA"), 33 U.S.C. Section 1251 et. seq.; the Clean Air Act ("CAA"), 42 U.S.C. Section 7401 et. seq.; the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), 7 U.S.C. Section 136 et. seq.; the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et. seq.; the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Section 2701 et. seq. ; the Emergency Planning and Community Right to Know Act ("EPCRA"), 42 U.S.C. Section 11001 et. seq.; the Occupational Safety and Health Act ("OSHA"), 29 U.S.C. Section 651 et. seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et. seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et. seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et. seq.; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f-300h-11 et. seq.; the New York State Environmental Conservation Law (ECL"); the New York State Navigation Law; together, in each case, with any amendment thereto, and the regulations adopted, guidances, memoranda and publications promulgated thereunder and all substitutions thereof; and

(iv) the ACO.

(f) "Environmental Restriction" shall mean in the singular and "Environmental Restrictions" shall mean in the plural (x) any requirement or obligation pursuant to any Environmental Requirement or imposed by any Governmental Authority (whether stated as a condition or otherwise) to further remediate, clean-up or restore the Premises and/or the Site as a result of the presence of any Hazardous Substance thereon, therein, or thereunder, including without limitation the groundwater thereunder, or (y) the presence of any Hazardous Substance in, on or under the Premises and/or the Site, including without limitation the groundwater thereunder, which shall or may result in a restriction, encumbrance or lien of any nature whatsoever being placed upon the Premises or the Airport or the use or occupancy thereof or any operations or activities conducted or to be conducted thereon or the transfer, development or construction thereof or thereon, or which shall result in the Premises and/or the Site not being in the condition required by the Basic Lease upon surrender of the Airport by the Port Authority to the City of New York.

(g) "General Manager" and "General Manager of the Airport" shall each mean the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in the said General Manager by this Letter

Agreement; but until further notice from the Port Authority to American it shall mean the General Manager (or the temporary or acting General Manager) of the Airport for the time being, or his duly designated representative or representatives.

(h) "Hazardous Substances" shall mean and include in the plural and "Hazardous Substance" shall mean and include in the singular any pollutant, contaminant, toxic or hazardous waste, dangerous substance, potentially dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls ("PCBs"), chemicals known to cause cancer, endocrine disruption or reproductive toxicity, petroleum and petroleum products and other substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have been or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and publications promulgated pursuant thereto and whether or not a part of the Existing Condition.

(i) "Liabilities" shall mean any and all risks, claims, demands, causes of action, suits, legal and administrative proceedings, inquiries, charges, orders (including without limitation, administrative and judicial), interest, penalties, payments in lieu of penalties, fines, punitive and consequential damages, liabilities (including without limitation tort, statutory and strict liability), negligence of any kind, settlements, attorney, expert witness and consultant fees, investigation and laboratory fees, costs, expenses and fees for preparation of reports and corrective action plans, cleanup, remediation and restoration costs, reckonings, bonds, bills, specialities, debts, dues, executions, statutory and common law contribution and cost recovery, environmental mitigation liabilities, natural resources damages, costs to remove any property or ground water use restrictions or other Environmental Restrictions, long-term monitoring and maintenance requirements, court costs and litigation expenses, damages, judgments, losses, injuries and costs and expenses, of whatsoever kind or nature, including without limitation, those of American, those of the City of New York pursuant to the Basic Lease or by operation of law for indemnity or otherwise, those of any Governmental Authority, those of any party responsible or potentially responsible for Hazardous Substances in, on or under the Premises and/or the Site or disposed of properly or improperly off the Premises or the Site, as the result of or pursuant to any Environmental Requirement, contract, lease, agreement or otherwise, and those for trespass, breach of contract, contribution, cost

recovery, property damages and personal injuries (including death), and whether known or unknown, contingent or otherwise, just or unjust, groundless, direct or indirect, unforeseeable or otherwise, in law or in equity.

(j) "Resident Engineer" shall mean the person designated as the Resident Engineer at the Airport by the Chief Engineer of the Port Authority.

(k) "Risk-based Clean-up" shall mean (x) the use of any risk based cleanup levels or goals or other regulatory approved cleanup levels or goals in the performance of the Preparation Work whether or not such use is approved by the Port Authority and including without limitation the Approved Cleanup Criteria and (y) any other failure to remove, remediate or clean-up any Hazardous Substance in the performance of the Preparation Work which shall or may result in any Environmental Restriction.

(l) "Site" shall mean all the locations where the Preparation Work is performed whether located on or off the Premises.

25. This Letter Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

26. This Letter Agreement constitutes the entire agreement of the parties on the subject matter hereof and may not be changed, modified, discharged or extended except by written instrument duly executed by the Port Authority and American. It is expressly agreed that any and all prior correspondence between the parties covering the Preparation Work, the Proposed Redevelopment Plan, the Redevelopment Work, the Proposed Arrangement and the Proposed Agreement, including without limitation the Status Letter, shall be deemed superseded by this Letter Agreement except that all requirements of the Port Authority given in connection with the Preparation Work shall continue in full force and effect. American agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in this Letter Agreement.

If American wishes to continue with the negotiations of the Proposed Arrangement and to proceed with the performance of the Preparation Work upon the basis of and under the terms of this Letter Agreement, please indicate your acceptance of the same by signing the enclosed two copies of this Letter Agreement by a duly authorized officer and returning them to the Port Authority's Central Business Administration Division at One World Trade Center, Suite 65S, New York, New York 10048. The return of a copy thereof to you executed by the

Final 11/29/99

Port Authority shall place the Letter Agreement in effect.

Very truly yours,

Linda K. Moses

(for) Robert J. Kelly
Director of Aviation

ACCEPTED AND AGREED TO:
AMERICAN AIRLINES, INC.

By _____
GARY F. KENNEDY
(Title) VICE PRESIDENT President
CORPORATE REAL

APPROVED FOR TRANSMITTAL	
[illegible]	[illegible]
RA	12/1/99

AAJFK 073837

SCHEDULE E

AFFIRMATIVE ACTION-EQUAL OPPORTUNITY—MINORITY BUSINESS ENTERPRISES —WOMEN-OWNED BUSINESS ENTERPRISES REQUIREMENTS

Part I. Affirmative Action Guidelines - Equal Employment Opportunity

I. As a matter of policy the Port Authority hereby requires American and American shall require the Contractor, as hereinafter defined, to comply with the provisions set forth hereinafter in this Schedule E and in the Letter Agreement to which this Schedule is attached with AMERICAN AIRLINES, INC. (herein called "American"). The provisions set forth in this Part I are similar to the conditions for bidding on federal government contract adopted by the Office of Federal Contract Compliance and effective May 8, 1978.

American as well as each bidder, contractor and subcontractor of American and each subcontractor of a contractor at any tier of construction (herein collectively referred to as the "Contractor") must fully comply with the following conditions set forth herein as to each construction trade to be used on the construction work or any portion thereof (said conditions being herein called "Bid Conditions"). American hereby commits itself to the goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions. American shall likewise require the Contractor to commit itself to the said goals for minority and female utilization set forth below and all other requirements, terms and conditions of the Bid Conditions by submitting a properly signed bid.

II. American and the Contractor shall each appoint an executive of its company to assume the responsibility for the implementation of the requirements, terms and conditions of the following Bid Conditions:

(a) The goals for minority and female participation expressed in percentage terms for the Contractor's aggregate workforce in each trade on all construction work are as follows:

(1) Minority participation

Minority, except laborers	30%
Minority, laborers	40%

(2) Female participation

Female, except laborers	6.9%
Female, laborers	6.9%

These goals are applicable to all the Contractor's construction work performed in and for the Premises.

The Contractor's specific affirmative action obligations required herein of minority and female employment and training must be substantially uniform throughout the length of the contract, and in each trade, and the Contractor shall make good faith efforts to employ minorities and women evenly on each of its projects. The transfer of minority or female employees or trainees from contractor to contractor or from project to project for the sole purpose of meeting the Contractor's goals shall be a violation of the contract. Compliance with the goals will be measured against the total work hours performed.

(b) The Contractor shall provide written notification to American and American shall provide written notification to the Manager of the Office of Business and Job Opportunity of the Port Authority within 10 working days of award of any construction subcontract in excess of $10,000 at any tier for construction work. The notification shall list the name, address and telephone number of the subcontractor; employer identification number; estimated starting and completion dates of the subcontract; and the geographical area in which the subcontract is to be performed.

(c) As used in these specifications:

(1) "Employer identification number" means the Federal Social Security number used on the Employer's Quarterly Federal Tax Return, U.S. Treasury Department Form 941:

(2) "Minority" includes:

(i) Black (all persons having origins in any of the Black African racial groups not of Hispanic origin);

(ii) Hispanic (all persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American culture or origin, regardless of race);

(iii) Asian and Pacific Islander (all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and

(iv) American Indian or Alaskan Native (all persons having

origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification).

(d) Whenever the Contractor, or any subcontractor at any tier, subcontracts a portion of the construction work involving any construction trade, it shall physically include in each subcontract in excess of $10,000 those provisions which include the applicable goals for minority and female participation.

(e) The Contractor shall implement the specific affirmative action standards provided in subparagraphs (1) through (16) of Paragraph (h) hereof. The goals set forth above are expressed as percentages of the total hours of employment and training of minority and female utilization the Contractor should reasonably be able to achieve in each construction trade in which it has employees in the Premises. The Contractor is expected to make substantially uniform progress toward its goals in each craft during the period specified.

(f) Neither the provisions of any collective bargaining agreement, nor the failure by a union with whom the Contractor has a collective bargaining agreement, to refer either minorities or women shall excuse the Contractor's obligations hereunder.

(g) In order for the nonworking training hours of apprentices and trainees to be counted in meeting the goals, such apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training subject to the availability of employment opportunities. Trainees must be trained pursuant to training programs approved by the U.S. Department of Labor.

(h) The Contractor shall take specific affirmative actions to ensure equal employment opportunity ("EEO").

The evaluation of the Contractor's compliance with these provisions shall be based upon its good faith efforts to achieve maximum results from its actions. The Contractor shall document these efforts fully, and shall implement affirmative action steps at least as extensive as the following:

(1) Ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which the Contractor's employees are assigned to work. The Contractor, where possible, will assign two or more women to each Phase of the construction project. The Contractor, shall specifically ensure that all foremen, superintendents, and other supervisory personnel at the Premises are aware of and carry out the Contractor's obligation to maintain such a working environment, with specific attention to minority or female individuals working at the

Premises.

(2) Establish and maintain a current list of minority and female recruitment sources, provide written notification to minority and female recruitment sources and to community organizations when the Contractor or its unions have employment opportunities available, and maintain a record of the organizations' responses.

(3) Maintain a current file of the names, addresses and telephone number of each minority and female off-the-street applicant and minority or female referral from a union, a recruitment source or community organization and of what action was taken with respect to each such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by union or, if referred, not employed by the Contractor, this shall be documented in the file with the reason therefor, along with whatever additional actions the Contractor may have taken.

(4) Provide immediate written notification to American when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority person or woman sent by the Contractor, or when the Contractor has other information that the union referral process has impeded the Contractor's efforts to meet its obligations.

(5) Develop on-the-job training opportunities and/or participate in training programs for the area which expressly include minorities and women, including upgrading programs and apprenticeship and training programs relevant to the Contractor's employment needs, especially those programs funded or approved by the Department of Labor. The Contractor shall provide notice of these programs to the sources compiled under subparagraph (2) above.

(6) Disseminate the Contractor's EEO Policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the Contractor's newspaper, annual report, etc.; by specific review of the policy with all management personnel and with all minority and female employees at least once a year; and by posting the Contractor's EEO policy on bulletin boards accessible to all employees at each location where construction work is performed.

(7) Review, at least every six months the Contractor's EEO policy and affirmative action obligations hereunder with all employees having any responsibility for hiring, assignment, layoff, termination or other employment decision including specific

review of these items with on-Premises supervisory personnel such as Superintendents, General Foremen, etc., prior to the initiation of construction work at the Premises. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed, and disposition of the subject matter.

(8) Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other Contractors and Subcontractors with whom the Contractor does or anticipates doing business.

(9) Direct its recruitment efforts, both oral and written, to minority, female and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations and to State-certified minority referral agencies serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of applications for apprenticeship or other training by any recruitment source, the Contractor shall send written notification to organizations such as the above, describing the openings, screening procedures, and tests to be used in the selection process.

(10) Encourage present minority and female employees to recruit other minority persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the Premises and in areas of a Contractor's workforce.

(11) Tests and other selecting requirements shall comply with 41 CFR Part 60-3.

(12) Conduct, at least every six months, an inventory and evaluation of all minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training, etc., such opportunities.

(13) Ensure that seniority practices, job classifications, work assignments and other personnel practices, do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations hereunder are being carried out.

(14) Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be provided to assure privacy between the sexes.

(15) Document and maintain a record of all solicitations of offers for subcontracts from minority and female construction contractors and suppliers, including circulation of solicitations to minority and female contractor associations and other business associations.

(16) Conduct a review, at least every six months, of all supervisors' adherence to and performance under the Contractors' EEO policies and affirmative action obligations.

(i) Contractors are encouraged to participate in voluntary associations which assist in fulfilling one or more of their affirmative action obligations (subparagraphs (1)-(16) of Paragraph (h) above). The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under Paragraph (h) hereof provided that: the Contractor actively participates in the group, makes good faith efforts to assure that the group has a positive impact on the employment of minorities and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female workforce participation, makes good faith efforts to meet its individual goals and timetables, and can provide access to documentation which demonstrates the effectiveness of actions taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's and failure of such a group to fulfill an obligation shall not be a defense for the Contractor's non-compliance.

(j) A single goal for minorities and a separate single goal for women have been established. The Contractor, however, is required to provide equal opportunity and to take affirmative action for all minority groups, both male and female, and all women, both minority and non-minority. Consequently, the Contractor may be in violation hereof if a particular group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goals for women generally, the Contractor may be in violation hereof if a specific minority group of women is underutilized).

(k) The Contractor shall not use the goals and timetables or affirmative action standards to discriminate against any person because of race, color, religion, sex or national origin.

(l) The Contractor shall not enter into any subcontract with any person or firm debarred from Government contracts pursuant to Executive Order 11246.

(m) The Contractor shall carry out such sanctions and penalties for violation of this clause including suspension, termination and cancellation of existing subcontracts as may be imposed or ordered by American. Any Contractor who fails to carry out such sanctions and penalties shall be in violation hereof.

(n) The Contractor, in fulfilling its obligations hereunder shall implement specific affirmative actions steps, at least as extensive as those standards prescribed in paragraph (h) hereof so as to achieve maximum results from its efforts to ensure equal employment opportunity. If the Contractor fails to comply with the requirements of these provisions, American shall proceed accordingly.

(o) The Contractor shall designate a responsible official to monitor all employment related activity to ensure that the company EEO policy is being carried out, to submit reports relating to the provisions hereof as may be required and to keep records. Records shall at least include for each employee the name, address, telephone numbers, construction trade, union affiliation if any, employee identification number when assigned, social security number, race, sex, status (e.g. mechanical apprentice, trainee, helper, or laborer), dates of changes in status, hours worked per week in the indicated trade, rate of pay, and location at which the work is performed. Records shall be maintained in an easily understandable and retrievable form; however, to the degree that existing records satisfy this requirement, contractors shall not be required to maintain separate records.

(p) Nothing herein provided shall be construed as a limitation upon the application of any laws which establish different standards of compliance or upon the application of requirements for the hiring of local or other area residents (e.g., those under the Public Works Employment Act of 1977 and the Community Development Block Grant Program).

(q) Without limiting any other obligation, term or provision under the Lease, the Contractor shall cooperate with all federal, state or local agencies established for the purpose of implementing affirmative action compliance programs and shall comply with all procedures and guidelines established or which may be established by the Port Authority.

PART II. MINORITY BUSINESS ENTERPRISES/WOMEN-OWNED BUSINESS ENTERPRISES

As a matter of policy the Port Authority requires American and American shall itself and shall require the general contractor or other construction supervisor and each of American's contractors to use every good faith effort to provide for meaningful participation by Minority Business Enterprises (MBEs) and Women-owned Business Enterprises (WBEs) in the construction work pursuant to the provisions of this Schedule E. For purposes hereof, "Minority Business Enterprise" "(MBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock of which is owned by citizens or permanent resident aliens who are minorities and such ownership is real, substantial and continuing. For the purposes hereof, "Women-owned Business Enterprise" "(WBE)" shall mean any business enterprise which is at least fifty-one percentum owned by, or in the case of a publicly owned business, at least fifty-one percentum of the stock

of which is owned by women and such ownership is real, substantial and continuing. A minority shall be as defined in paragraph II(c) of Part I of this Schedule E. "Meaningful participation" shall mean that at least seventeen percent (17%) of the total dollar value of the construction contracts (including subcontracts) covering the construction work are for the participation of Minority Business Enterprises and Women-owned Business Enterprises, of which at least twelve percent (12%) are for the participation of Minority Business Enterprises. Good faith efforts to include meaningful participation by MBEs and WBEs shall include at least the following:

(a) Dividing the work to be subcontracted into smaller portions where feasible.

(b) Actively and affirmatively soliciting bids for subcontracts from MBEs and WBEs, including circulation of solicitations to minority and female contractor associations. The Contractor shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation in the work, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reason for such decision.

(c) Making plans and specifications for prospective construction work available to MBEs and WBEs in sufficient time for review.

(d) Utilizing the list of eligible MBEs and WBEs maintained by the Port Authority or seeking minorities and women from other sources for the purpose of soliciting bids for subcontractors.

(e) Encouraging the formation of joint ventures, partnerships or other similar arrangements among subcontractors, where appropriate, to insure that American and Contractor will meet their obligations hereunder.

(f) Insuring that provision is made to provide progress payments to MBEs and WBEs on a timely basis.

(g) Not requiring bonds from and/or providing bonds and insurance for MBEs and WBEs, where appropriate.

Certification of MBEs and WBEs hereunder shall be made by the Office of Business and Job Opportunity of the Port Authority. If the Contractor wishes to utilize a firm not already certified by the Port Authority, it shall submit to the Port Authority a written request for a determination that the proposed firm is eligible for certification. This shall be done by completing and forwarding such form as may be then required by the Port Authority. All such requests shall be in writing addressed to the Office of Business and Job Opportunity, the Port

Authority of New York and New Jersey, One World Trade Center, 63 East, New York, New York 10048 or such other address as the Port Authority may specify by notice to American. Certification shall be effective only if made in writing the Director in charge of the Office of Business and Job Opportunity of the Port Authority. The determination of the Port Authority shall be final and binding.

The Port Authority has compiled a list of the firms that the Port Authority has determined satisfy the criteria for MBE and WBE certification. This list may be supplemented and revised from time to time by the Port Authority. Such list shall be made available to the Contractor upon request. The Port Authority makes no representation as the financial responsibility or such, firms, their technical competence to perform, or any other performance-related qualifications.

Only MBE's and WBE's certified by the Port Authority will count toward the MBE and WBE goals.

Please note that only sixty percent (60%) of expenditures to MBE or WBE suppliers will count towards meeting the MBE and WBE goals. However, expenditures to MBEor WBE manufacturer's (i.e. suppliers that produce goods from raw materials or substantially alter them before resale) are counted dollar for dollar.

For the Port Authority

Initialled:

For American

Exhibit A

JFKIA - Central Terminal Area - Remediation Cleanup Goals.

SOIL

CHEMICAL	Proposed PRAGS (mg/kg)	Cleanup Criteria (mg/kg)	Basis (see notes below)
Acetone	5.6E+06	5.1E+01	Table 4-5
Benzene	6.7E-03	6.7E-03	25 yr U/M
2-Butanone	2.7E+01	2.7E+01	25 yr U/M
Ethylbenzene	1.6E+02	1.6E+02	25 yr U/M
Ethylene glycol	1.1E+08	6.0E+03	Water *
Methylene chloride	3.5E-02	3.5E-02	25 yr U/M
1,1,2,2-Tetrachloroethane	1.2E-02	1.2E-02	25 yr U/M
Tetrachloroethene	6.5E+06	1.4 E-00	TAGM, 1994
Toluene	2.3E+01	2.3E+01	25 yr U/M
Vinyl Acetate	3.8E+00	3.8E+00	25 yr U/M
Xylenes	1.1E+08	8.2E+01	Table 4-5
bis(2-Ethylhexyl)phthalate	1.1E+04	5.0E+01	TAGM, 1994
tPAHs (pyrene)	1.7E+06	5.0E+02	TAGM, 1994
cPAHs (Benzo(a)pyrene)	2.1E+01	2.1E+01	25 yr U/M

GROUND WATER

CHEMICAL	Proposed PRAGS (mg/l)	Cleanup Criteria (mg/l)	Basis (see notes below)
Acetone	6.1E+04	2.6E+01	Table 4-6
Benzene	3.4E-01	3.4E-01	25 yr U/M
2-Butanone	3.6E+03	2.6E+01	Table 4-6
Carbon disulfide	7.0E+01	7.0E+01	25 yr U/M
1,1-Dichloroethane	3.9E+03	2.5E+00	Table 4-6
Ethylbenzene	3.5E+01	3.5E+01	25 yr U/M
Ethylene glycol	7.0E+06	6.0E+03	Water *
Toluene	7.0E+01	7.0E+01	25 yr U/M
Xylenes	7.1E+03	2.5E+00	25 yr U/M
bis(2-Ethylhexyl)phthalate	2.1E+00	2.1E+00	25 yr U/M
2,4-Dimethylphenol	1.1E+02	1.1E+02	25 yr U/M
2-Methylphenol	5.9E+02	5.9E+02	25 yr U/M
tPAHs (pyrene)	3.2E+01	3.2E+01	25 yr U/M

PRAGS = Proposed Remedial Action Goals, (CTA Human Health Risk Assessment, revised April 17, 1998).
Bold-typed concentration criteria identify PRAGS where substitute criteria have been selected.
25 yr U/M refers to JFKIA CTA Human Health Risk Assessment for utility & maintenance workers @ 25 yr scenario.
Table 4-5 criteria refers to a draft Spills Div. table for contaminant leachate migration via ground water.
Table 4-6 criteria derived from a draft Spills Div. table for dilution attenuation of migrating ground water contaminants.
TAGM, 1994 refers to the Div. of Haz. Waste Remediation: Determination of Soil Cleanup Objectives & Cleanup Levels.
** Ground water criteria for ethylene glycol developed with Division of Water personnel.*

AAJFK 073847

For The Port Authority

Initialled:

For American

AmericanAirlines

August 3, 1999

Ms. Erica Stempler
Manager, Central Business Division
NY & NJ Port Authority
1 World Trade Center
Room 65N
New York, NY 10048

Re: Supplemental Agreement No. 15 – JFK

Dear Erica:

Enclosed find 2 copies of the above referenced document that have been duly signed by American Airlines.

Sincerely,

Kenneth R. Lemke
Senior Real Estate Counsel

cc: C. Norton

AAJFK 073848

11/30/2015

LEASE TRANSACTION SUMMARY

Station Code: JFK

General Information:

Date: 7/13/99 Supp#15 provides add'l Fundage.

Lease Number: 0748

Type of Agreement: TERMINAL LEASE

Location: JFK Terminal

Description: Supp#15 provides additional fundage & took away space

Landlord: PRIV-LS AR Number N/A THIS ADJUSTMENT IS PER THE TERMS OF THE EXISTING LEASE

Contact: User Department:

Phone: Who Approved Project:

Documents (X appropriate box): ☒ U. S. Mail ☐ Federal Express ☐ Other

Financial Detail:

Term Dates: 4/1/93 - 11/30/2015

Minimum Term: 11/30/2015

Square Footage: 364,407 SF

Security Deposit: -0-

Reimbursable: ☐ Yes ☒ No (If yes, please provide reimbursable provisions.)

Environmental Assessment Approval/Exemption: ☐ Yes ☒ No (If no, please provide details.)

U. S. Dollar/Foreign Currency Equivalents

Monthly Rent: —

Annual Rate per Sq. Ft.: —

Annual Rent: 11,603.30

Total Commitment: $185,652.80 (This total represents 4 yr over yr additional.)

Approvals:

K. R. Lemke ($0 to $100K)

F. R. Erickson (>/100K<=$3M)

n/a
G. F. Kennedy (>$3M)

Administrator
C. E. Norton

TSUMDOC

AAJFK 073849

SCROLL ===> HALF

P = PRINT PF1 = INFORMATION PF3 = PREVIOUS SCREEN
PF4 = MAIN PANEL PF7 = UP PF8 = DOWN

* * * * * * * * * * THE PORT AUTHORITY OF NY & NJ * * * * * * * * * *

AMERICAN AIRLINES
JFK INTL AIRPORT
TERMINAL 8
ATT: MARYANN KOSOFF
JAMAICA NY 11430

AR#	DATE OF INVOICE	INVOICE #
0100102	01/01/99	9A0138

RENT AND/OR SERVICE FEES AT JOHN F. KENNEDY INT'L AIRPORT
FOR JANUARY 1999 UNDER AGREEMENT(S):

AYB085R	BLDG 57 AREAS A,B,G	12,835.69
AYB085R	CPI INCR $493.68 EFF 01/99	
AYB085R2	BLDG 57 AREA D	12,097.50
AYB085R4	BLDG 56 AREA F	216,833.28
AYB085R4	CPI INCR $8339.74 EFF 01/99	
AYB085TA	BLDG 57 TERMINAL	291,666.67

F1=HELP F2=SPLIT F3=END F4=RETURN F5=RFIND F6=RCHANGE
F7=UP F8=DOWN F9=SWAP F10=LEFT F11=RIGHT F12=RETRIEVE

AAJFK 073851

SCROLL ===> HALF

P = PRINT PF1 = INFORMATION PF3 = PREVIOUS SCREEN
PF4 = MAIN PANEL PF7 = UP PF8 = DOWN

* * * * * * * * * * THE PORT AUTHORITY OF NY & NJ * * * * * * * * * *

AMERICAN AIRLINES
JFK INTL AIRPORT
TERMINAL 8
ATT: MARYANN KOSOFF
JAMAICA NY 11430

AR#	DATE OF INVOICE	INVOICE #
0100102	01/01/99	9A0138

AYB085SI	BLDG 56 SITE	162,460.80	
AYB085SI	CPI INCR $6248.49 EFF 01/99		
AYB085ST	BLDG 57 AREA C	42,809.00	
AYB085S3	BLDG 56 TERMINAL	748,879.20	
AYB085S3	CPI INCR $5839.92 EFF 01/99		
		TOTAL AMOUNT	1,487,582.14

********** Bottom of data **********

F1=HELP F2=SPLIT F3=END F4=RETURN F5=RFIND F6=RCHANGE
F7=UP F8=DOWN F9=SWAP F10=LEFT F11=RIGHT F12=RETRIEVE

AAJFK 073853

SCROLL ===> HALF

P = PRINT PF1 = INFORMATION PF3 = PREVIOUS SCREEN
PF4 = MAIN PANEL PF7 = UP PF8 = DOWN

* * * * * * * * * * THE PORT AUTHORITY OF NY & NJ * * * * * * * * * *

AMERICAN AIRLINES
JFK INTL AIRPORT
TERMINAL 8
ATT: MARYANN KOSOFF
JAMAICA NY 11430

AR#	DATE OF INVOICE	INVOICE #
0100102	02/01/99	9B0138

RENT AND/OR SERVICE FEES AT JOHN F. KENNEDY INT'L AIRPORT
FOR FEBRUARY 1999 UNDER AGREEMENT(S):

AYB085R	BLDG 57 AREAS A,B,G	
AYB085R2	BLDG 57 AREA D	12,835.69
AYB085R4	BLDG 56 AREA F	12,097.50
AYB085TA	BLDG 57 TERMINAL	216,833.28
AYB085SI	BLDG 56 SITE	291,666.67
AYB085ST	BLDG 57 AREA C	162,460.80
		42,809.00

F1=HELP F2=SPLIT F3=END F4=RETURN F5=RFIND F6=RCHANGE
F7=UP F8=DOWN F9=SWAP F10=LEFT F11=RIGHT F12=RETRIEVE

AAJFK 073854

COMMAND ===>

SCROLL ===> HALF

P = PRINT
PF4 = MAIN PANEL
PF1 = INFORMATION
PF7 = UP
PF3 = PREVIOUS SCREEN
PF8 = DOWN

* * * * * * * * * * THE PORT AUTHORITY OF NY & NJ * * * * * * * * * *

AMERICAN AIRLINES
JFK INTL AIRPORT
TERMINAL 8
ATT: MARYANN KOSOFF
JAMAICA NY 11430

AR#	DATE OF INVOICE	INVOICE #
0100102	02/01/99	9B0138

AYB085S3 BLDG 56 TERMINAL 748,879.20

TOTAL AMOUNT : 1,487,582.14

********** Bottom of data **********

F1=HELP F2=SPLIT F3=END F4=RETURN F5=RFIND F6=RCHANGE
F7=UP F8=DOWN F9=SWAP F10=LEFT F11=RIGHT F12=RETRIEVE

AAJFK 073855

94-95

105.8238
- 105.7098
- 0.1140 × 50,000
(5700.00)

95-96

105.7118
- 105.7098
0.0020 × 55,000
110.0

96-97

106.0155
- 105.7118
0.3037 × 57,
17,371.64

97-98

106.0155
- 105.7118
0.3037 × 58,488
17762.80

98-99

106.0155
- 105.6696
0.3459 × 51,864
(17,941.14)

TTL: 11,603.30

Gr. TTL: $ 185,652.80

AAJFK 073856

08/21/99 MON 16:11 [TX/RX NO 7683] AAJFK 073858

AMERICAN AIRLINES LEASE AYB-085 SUPPLEMENT 11 AS FURTHER AMENDED									
5/13/99									
	ACREAGES								
AREA	1/1/93	4/1/93	1/1/94	6/20/94	10/24/94	11/12/94	1/1/95	1/1/98	1/1/99
A	.904	.904	.904	.904	.904	.904	.904	.904	.904
B	1.3714	1.3714	1.3714	1.3714	1.3714	1.3714	1.3714	1.3714	1.3714
C	29.3526	29.3526	29.3526	29.3526	29.3526	29.3526	29.3526	29.3523	29.3523
D	3.34	3.34	3.34	3.34	3.34	3.226	3.226	3.226	3.226
E	29.9535	29.9535	29.9535	29.9535	29.9535	29.9535	29.9535	29.6397	29.6397
F				28.14	40.44	40.44	40.44	40.44	40.44
G			.1184	.1184	.1184	.1184	.1184	.1184	.1184
H	.0114								
J	.3439	.3439	.3439	.3439	.3439	.3439	.3459	.3459	
K								.6178	.6178
TOTAL	65.2768	65.2654	65.3838	93.5238	105.8238	105.7098	105.7118	106.0155	105.6696
						(5700)	110.		
AREA I	C,D,H	C,D							
AREA II	A,B,E,J		A,B,E,G,J					A,B,E,G,J,K	A,B,E,G,K
AREA III				F					
0.125700 AREA I	32.704	32.6926	32.6926	32.6926	32.6926	32.5786	32.5786	32.5783	32.5783
x 70,0 AREA II	32.5728	32.5728	32.6912	32.6912	32.6912	32.6912	32.6932	32.9972	32.6513
AREA III	.	.	.	28.14	40.44	40.44	40.44	40.44	40.44
TOTAL	65.2768	65.2654	65.3838	93.5238	105.8238	105.7098	105.7118	106.0155	105.6696
NOTES:									
4/1/93:	area H (.0114 acres) surrendered							1996 "	
1/1/94:	area G (.1184 acres) permanently added							1997 "	
6/20/94:	first portion (28.14 acres) of T/W I/O given to AAL								
10/24/94:	last portion (12.3 acres) of T/W I/O given to AAL								
11/12/94:	surrendered .114 acres from Area D								
1/1/95:	added .002 acres to area J for relocated blast fence								
1/1/98:	surr. .3138 acres from E, .0003 from C, and add area K (.6178 acres) to frontage								
1/1/99:	surr. J (.3459 acres) from Area II								

63,000

[F2] Save Information, [F3]-Edit Line Item Detail, [Esc] To Cancel

Digest Detailed Rental

Digest #: JFK-0748 7/1 Location

Rental Description	Effective From	To	Number Of Units	U Of M	Exc Com N/A	Cost/ Unit	--Payment-- Monthly (USD)	Code
56: F (40.44 ◂	1/01/98	12/31/98	40.44	AC	E*	********	208,493.54	
56: F (40.44 G	1/01/99	11/30/2015	40.44	AC	E*	********	216,833.28	F
56: SITE (30.G	1/01/98	12/31/98	30.30	AC	E*	********	156,212.31	
56: SITE (30.G	1/01/99	11/30/2015	30.30	AC	E*	********	162,460.80	F
57: C SITE G11	12/94	11/30/2015	325,029.00	SF	E*	0.000	42,809.00	F
57: B TAXI HOO	1/01/98	12/31/98	59,738.00	SF	N*	1.415	7,046.34	
57: B TAXI HOO	1/01/99	11/30/2015	59,738.00	SF	N*	1.472	7,328.19	F
57: D TAXIWAYO11	12/94	11/30/2015	145,590.00	SF	N*	.997	12,097.50	F
57: G SPRVR PO	1/01/98	12/31/98	5,518.00	SF	N*	1.415	650.87	
57: G SPRVR PO	1/01/99	11/30/2015	5,518.00	SF	N*	1.472	676.91	F

Total Exclusive Sq.Ft.: 364,407.00 Fixed Rent: 1,487,582.14

[F2] Save Information, [F3]-Edit Line Item Detail, [Esc] To Cancel

Digest Detailed Rental

Digest #: JFK-0748 7/1 Location

Rental Description	Effective From	To	Number Of Units	U Of M	Exc Com N/A	Cost/ Unit	--Payment-- Monthly (USD)	Code
57: G SPRVR P◂	1/01/99	11/30/2015	5,518.00	SF	N*	1.472	676.91	F
56: BUILDINGT	1/01/98	12/31/98	306,467.00	SF	N*	29.094	743,039.28	
56: BUILDINGT	1/01/99	11/30/2015	306,467.00	SF	N*	29.323	748,879.20	F
57: A PAX LOAT	1/01/98	12/31/98	39,378.00	SF	E*	1.415	4,644.80	
57: A PAX LOAT	1/01/99	11/30/2015	39,378.00	SF	E*	1.472	4,830.59	F
57: TERMINAL T	7/25/95	11/30/2015	0.00	SF	E*	0.000	291,666.67	F

Total Exclusive Sq.Ft.: 364,407.00 Fixed Rent: 1,487,582.14

THIS SUPPLEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

JFK-0748

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 14

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, dated as of the September 1, 1997 (hereinafter called the "Effective Date") by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee");

WITNESSETH, That:

WHEREAS, by an agreement of lease made as of August 1, 1976, (which lease, as the same has been supplemented and amended, is hereinafter called the "Lease"), the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy Airport, all as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to amend the Lease effective as of the Effective Date;

NOW, THEREFORE, for and in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree as follows:

1. Section 65 of the Lease, as previously amended, entitled "Definitions" shall be deemed further amended by inserting the following new paragraphs (x) and (y) immediately after paragraph (w) thereof to read as follows:

"(x) 'Hazardous Substance' and 'Hazardous Substances' shall mean and include without limitation any pollutant, contaminant, toxic or hazardous waste, dangerous substance, potentially dangerous substance, noxious substance, toxic substance, flammable, explosive, radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, petroleum and petroleum products and other substances which have been or in the future shall be declared to be hazardous or toxic, or the removal of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer,

handling or ownership of which have been or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county or municipal or other local statute or law now or at any time hereinafter in effect as amended or supplemented and by the regulations and publications promulgated pursuant thereto.

(y) 'Environmental Requirements' and 'Environmental Requirement' shall mean all applicable present and future laws, statues, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, approvals, guidances, plans, authorizations, concessions, franchises, requirements and similar items, of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, 'best management practices plans', and other voluntary programs adopted and agreements made by the Port Authority with any Governmental Authority and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, which are applicable to or affect (i) the premises, (ii) the operations of the Lessee at the premises or the operations of others at the premises with the consent of the Lessee or over whom it has control, (iii) the Lessee's operations at the Airport, (iv) the occupancy and use of the premises by the Lessee or by others with its consent or over whom it has control, or (v) any Hazardous Substance which has migrated from the premises, the foregoing to include without limitation:

(i) All requirements pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Substances into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist; and

(ii) All requirements pertaining to the protection of the health and safety of employees or the public."

2. Section 93 of the Lease, as previously amended, entitled "Entire Agreement" shall be redesignated "Section 94", the number "93" appearing therein shall be deemed deleted and the number "94" inserted in lieu thereof, and there shall be added to the Lease the following new Section 93 to read as follows:

"Section 93. Fuel Storage Tanks

(a) All underground storage tanks and all above ground storage tanks installed in the premises as of the

commencement of the Lessee's occupancy of the premises, together with all [illegible] above [illegible] installed in the premises during the term or the letting hereunder or during the letting or use of the premises by the Lessee under any previous agreement, and its or their appurtenances, pipes, lines, fixtures and other related equipment are hereinafter collectively called the "Tanks" and singularly called a "Tank". Notwithstanding any other facts or circumstances the contrary including without limitation any vesting of title to the Tanks in the City of New York pursuant to any construction or alteration application or otherwise, the Lessee hereby agrees that title and ownership of the Tanks shall be and remain in the Lessee, that all Tanks shall be registered by the Lessee in the name of the Lessee as Operator and Owner and that the Lessee shall have full and sole responsibility for all the Tanks, and shall release and relieve the Port Authority from all costs and responsibility for the Tanks. The Port Authority has made no representations or warranties with respect to the Tanks or their location and shall assume no responsibility for the Tanks. All Tanks installed subsequent to said Effective Date shall be installed pursuant to the terms and conditions of the Lease including without limitation Section 33 thereof and nothing in this Section 93 shall or shall be deemed to be permission or authorization to install any Tanks.

(b) Without limiting the generality of any of the provisions of the Lease, the Lessee agrees that it shall be solely responsible for maintaining, testing and repairing the Tanks. The Lessee shall not perform any servicing, repair or non-routine maintenance to the Tanks without the prior written approval of the Port Authority. In addition, the Lessee, at its sole cost and expense, shall make all modifications to the Tanks and take all other actions so that the Tanks shall at all times comply with all Environmental Requirements.

(c) (1) The Lessee shall remove all the Tanks from the premises on or before the expiration of the Lease and the Lessee agrees to dispose of the Tanks off the Airport in accordance with all Environmental Requirements.

(2) Any removal of the Tanks shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval and in connection with such removal, the Lessee shall restore the premises to the same condition existing prior to the installation of the Tanks, shall perform such testing of the Tanks and of the soil, sub-soil and ground water in the vicinity of the Tanks as shall be

(unless the Lessee shall have received the prior written approval of the Port Authority to have abandoned a tank in place and such abandonment continues to meet all applicable Environmental Requirements)

AAJFK 073866

required by the Port Authority and shall, subject to Section 84 hereof, clean-up and remediate any contamination disclosed by said testing. In the event the Lessee does not remove the Tanks as required by subparagraph (1) above, the Port Authority may enter upon the premises and effect the removal and disposal of the Tanks, restoration of the premises and such remediation and the Lessee hereby agrees to pay all costs and expenses of the Port Authority arising out of such removal, disposal, restoration and remediation except as limited by Section 84.

(d) Without limiting the generality of any other term or provision of the Lease and subject to Section 84 of the Lease, the Lessee shall at its cost and expense comply with all Environmental Requirements pertaining to the Tanks, including without limitation any modifications or closures required thereby, and any Discharge (as defined in paragraph (i) hereof) including without limitation testing the Tanks and registering the Tanks in the name of the Lessee as Owner and Operator, submitting all required clean-up plans, bonds and other financial assurances, performing all required clean-up and remediation of a Discharge and filing all reports, making all submissions to, providing all information required by, and complying with all requirements of, all Governmental Authorities pursuant to all Environmental Requirements.

Nothing in the foregoing shall be construed as a submission by the Port Authority to the application to itself of the Environmental Requirements, provided, however, no immunity or exemption of the Port Authority from the Environmental Requirements shall excuse the compliance therewith by the Lessee or shall be grounds for non-compliance therewith by the Lessee.

(e) Without limiting the terms and provisions of Section 13 of the Lease and except as set forth in Section 84 of the Lease, the Lessee hereby assumes all risks arising out of or in connection with the Tanks and all Discharges whether or not foreseen or unforeseen and shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against (and shall reimburse the Port Authority for their costs and expenses including without limitation penalties, fines, liabilities, settlements, damages, attorney and consultant fees, investigation and laboratory fees, clean-up and remediation costs, court costs and litigation expenses), all claims and demands, just or unjust, of third persons (such claims and demands being hereinafter in this Section 93 referred to as 'Claims' and singularly referred to as a 'Claim') including but not limited to those for personal injuries (including

death), property damages, or environmental impairment, arising or alleged to arise out of or in any way related to, the failure of the Lessee to comply with each and every term and provision of the Lease, or the Tanks, or any Discharge, or any lawsuit brought or threatened, settlement reached or any governmental order relating to the Tanks or a Discharge, or any violation of any Environmental Requirement or demands of any Governmental Authority based upon or in any way related to the Tanks or a Discharge, and whether such arise out of the acts or omissions of the Lessee or of the contractors of the Lessee or of third persons or out of the acts of God or the public enemy or otherwise including Claims by the City of New York against the Port Authority pursuant to the provisions of the Basic Lease whereby the Port Authority has agreed to indemnify the City against claims. It is understood the foregoing indemnity shall cover all claims, demands, penalties, settlements, damages, fines, costs and expenses of or imposed by any Governmental Authority under the Environmental Requirements.

If so directed the Lessee shall at its expense defend any suit based upon any such Claim (even if such Claim is groundless, false or fraudulent) and in handling such it shall not without first having express advance permission from the General Counsel of the Port Authority raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority.

(f) The Lessee's obligations under this Section 93 shall survive the expiration or earlier termination of the Lease.

(g) In addition to the requirements of Section 6 of the Lease and paragraph (d) hereof, the Port Authority shall have the right upon notice to the Lessee to direct the Lessee, at the Lessee's sole cost and expense, (i) to perform such reasonable testing of the Tanks as the Port Authority shall direct and to perform such testing of the soil, subsoil and ground water of the premises and of such surrounding area as the Port Authority shall direct, and (ii) to clean-up and remediate any Discharge, regardless of whether any Environmental Requirement or Governmental Authority shall require such testing, clean-up or remediation, which testing, clean-up and remediation shall be performed pursuant to an alteration application prepared by the Lessee and submitted to the Port Authority for the Port Authority's approval.

(h) In the Lessee's use and operation of the Tanks, the Lessee shall not permit any Hazardous Substance from entering the ground including without limitation (subject to Section 33 hereof) installing appropriate spill and overfill devices and placing an impervious material, such as asphalt or concrete, over the ground area above or under, as the case shall be, and in the vicinity of the Tanks.

(i) As used in this Section 93, "Discharge" shall mean the presence, pumping, pouring, venting, emitting, emptying, leakage, deposit, spill, discharge or other release of Hazardous Substances from the Tanks or in connection with their use, operation, maintenance, testing or repair during the period the Lessee shall use or occupy the premises or use the Tanks.

3. As hereby amended, all the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation or execution of this Supplement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation or execution of this Supplement.

5. Neither the Commissioners of the Port Authority, nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplement or because of its execution or attempted execution or because of any breach or attempted breach thereof or otherwise. The Lessee agrees that no representations or warranties with respect to this Supplement shall be binding upon the Port Authority unless expressed in writing herein.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By

(Title) General Manager Business & Properties

(Seal)

AAJFK 073869

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By

(Title) KENNETH R. LEMKE
SR. REAL ESTATE COUNSEL ~~President~~

(Corporate Seal)

APPROVED:
FORM TERMS

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On the 14th day of November, 1997, before me personally came Joyce C Medici to me known, who, being by me duly sworn, did depose and say that (s)he resides at Ft Lee NJ; that (s)he is the Vice President & Properties of the Port Authority of New York and New Jersey, one of the corporations described in and which executed the foregoing instrument; that (s)he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of said corporation; and that (s)he signed (her)his name thereto by like order.

Karen Eastman

(notarial seal and stamp)

KAREN E. EASTMAN
Notary Public, State of New York
No. 4766314
Qualified in New York County
Commission Expires Feb. 26, 1999

STATE OF Texas)
)ss.:
COUNTY OF Tarrant)

On the 8th day of October, 1997, before me personally came K.R. Lemke to me known, who, being by me duly sworn, did depose and say that (s)he resides at 4333 Amon Carter Blvd. - Fort Worth, TX 76155; that (s)he is the Sr. Real Estate ~~President~~ Counsel of American Airlines, Inc., one of the corporations described in and which executed the foregoing instrument; that (s)he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that (s)he signed (her)his name thereto by like order.

Karen F. Davis

(notarial seal and stamp)

JFK 0748

THIS AGREEMENT SHALL NOT BE BINDING
UPON THE PORT AUTHORITY UNTIL DULY
EXECUTED BY AN EXECUTIVE OFFICER
THEREOF AND DELIVERED TO THE LESSEE
BY AN AUTHORIZED REPRESENTATIVE OF THE
PORT AUTHORITY

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 13

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, dated as of November 11, 1994, by and between the PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee"),

WITNESSETH, THAT:

WHEREAS, the Port Authority and the Lessee have heretofore entered into an agreement of lease made as of August 1, 1976 and bearing Port Authority Lease No. AYB-085 (which agreement of lease, as the same has heretofore been and may hereafter be supplemented and amended, is hereinafter referred to as the "Lease") pursuant to which the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises (hereinafter called the "Premises") at John F. Kennedy International Airport (hereinafter called "the Airport"), all as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to amend the Lease;

NOW, THEREFORE, for and in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree as follows:

1. (a) Effective as of November 11, 1994 at 11:59 o'clock P.M. (which date and hour are hereinafter collectively called the "Surrender Date"), the Lessee hereby surrenders and yields up and does by these presents grant, bargain, sell, surrender and yield up to the Port Authority, its successors and assigns forever the portion of Area D of the Premises shown in stipple on the sketch attached hereto, hereby made a part hereof marked "Exhibit L" and hereinafter called "Exhibit L" (such portion of the premises being hereinafter referred to as the "Surrendered Premises") and the term of the letting with respect thereto under the Lease yet to come and has given, granted and surrendered and by these presents does give, grant and surrender

to the Port Authority, its successors and assigns, all the rights, rights of renewal, licenses, privileges and options of the Lessee granted by the Lease with respect to the Surrendered Premises, all to the intent and purpose that the said term under the Lease and the said rights of renewal, licenses, privileges and options may be wholly merged, extinguished and determined on the Surrender Date with the same force and effect as if the said term were in and by the provisions of the Lease originally fixed to expire on the Surrender Date, but the Lease and the letting thereunder shall continue in full force and effect as to the remainder of the premises under the Lease and in accordance with all the terms and provisions thereof.

TO HAVE AND TO HOLD the same unto the Port Authority, its successors and assigns forever.

The Lessee hereby covenants on behalf of itself, its successors and assigns that (a) it has not done or suffered and will not do or suffer anything whereby the Surrendered Premises or the Lessee's leasehold therein, has been or shall be encumbered as of the Surrender Date in any way whatsoever; (b) the Lessee is and will remain until the Surrender Date the sole and absolute owner of the leasehold estate in the Surrendered Premises of the rights, rights of renewal, licenses, privileges and options granted by the Lease with respect thereto and that the same are and will remain until the Surrender Date free and clear of all liens and encumbrances of whatsoever nature; and (c) the Lessee has full right and power to make this Supplemental Agreement.

(b) All promises, covenants, agreements and obligations of the Lessee with respect to the Surrendered Premises under the Lease, or otherwise, which under the provisions thereof would have matured upon the date originally fixed in the Lease for the expiration of the term thereof, or upon the termination of the Lease prior to the Surrender Date, or within a stated period after expiration or termination, shall, notwithstanding such provisions, mature upon the Surrender Date and shall survive the execution and delivery of this Supplemental Agreement.

The Lessee has released and discharged and does by these presents release and discharge the Port Authority from any and all obligations of every kind, past, present or future on the part of the Port Authority to be performed under the Lease with respect to the Surrendered Premises. The Port Authority does by these presents release and discharge the Lessee from any and all obligations on the part of the Lessee to be performed under the

Lease with respect to the Surrendered Premises for that portion of the term subsequent to the Surrender Date; it being understood that nothing herein contained shall release, relieve or discharge the Lessee from any liability for rentals or for other charges that may be due or become due to the Port Authority for any period or periods prior to the Surrender Date, or for breach of any other obligation on the Lessee's part to be performed under the Lease for or during such period or periods or maturing pursuant to the foregoing paragraph.

(c) In consideration of the making of this Agreement by the Port Authority, the Lessee hereby agrees to terminate its occupancy of the Surrendered Premises and to deliver actual physical possession of the same to the Port Authority on or before the Surrender Date in the condition required by the Lease upon surrender. The Lessee further agrees that it will remove from the Surrendered Premises prior to the Surrender Date all equipment, inventories, removable fixtures and other personal property of the Lessee or for which the Lessee is responsible.

2. Effective as of November 12, 1994, Section 4 II A.1.(a) of Supplement No. 11 to the Lease shall be deemed amended as follows:

(a) Paragraph (a) thereof shall be designated paragraph "(a)(i)" and the date "July 24, 1995" at the end of line four thereof shall be deemed deleted and the date "November 11, 1994" shall be deemed inserted in lieu thereof.

(b) A new subparagraph (ii) shall be deemed added at the end thereof to read as follows:

"(ii) A rental for the Area I Ground Area at the rate of (Ex. 2.a.) per annum for the portion of the term of the letting from November 12, 1994 to July 24, 1995, both dates inclusive."

3. Effective as of November 12, 1994, Section 4 II A.1.(b) shall be amended by deleting the words and number

(Ex. 2.a.) and the words and number

shall be deemed inserted in lieu thereof.

4. Effective as of November 12, 1994, Section 4 IV A.1.(b) shall be deemed amended by deleting the number Ex. 2.a. in

the first line thereof and inserting the number (Ex. 2.a.) in lieu thereof.

5. Effective from and after November 12, 1994, it shall be understood and agreed by the parties that the number of acres in the Area I Ground Area shall be

6. Effective as of 12:01 o'clock A.M. on January 1, 1995, in addition to the premises heretofore let to the Lessee under the Lease, the letting of which, except for the Surrendered Premises shall continue in full force and effect, the Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority at the Airport in the County of Queens, City and State of New York, the area shown in stipple on the sketch attached hereto, hereby made a part hereof and marked "Exhibit M" (hereinafter called the "Additional Premises") together with the fixtures, improvements and other property of the Port Authority located or to be located therein, thereunder or thereon, and all structures, improvements, additions, buildings and facilities, located, constructed or installed or to be located, constructed or installed therein, thereunder or thereon, all of the foregoing to be and become a part of the premises let under the Lease, as hereby amended, subject to all of the terms, provisions, covenants and conditions of the Lease as hereby amended, for and during the balance of the term of the letting under the Lease, subject to earlier termination as provided in the Lease, and the Additional Premises shall be deemed added to and shall constitute a part of Area E under the Lease and shall be used only for the purposes set forth in Section No. 5 of the Lease as amended in Supplement No. 11 to the Lease.

7. Effective as of January 1, 1995, Section 4 II B.1. (d) of Supplement No. 11 to the Lease shall be deemed amended by deleting the words and number

and the words and number (Ex.2.a.)

shall be deemed inserted in lieu thereof. (Ex. 2.a.)

8. Effective from and after January 1, 1995, it shall be understood and agreed that the number of acres in the Area II Ground Area shall be 32.6886.

9. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

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10. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

11. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability or held liable to it under any term or condition of this Agreement, or because of its execution or attempted or alleged breach thereof. The Lessee agrees that no representations or warranties with respect to this Agreement shall be binding upon the Port Authority unless expressed in writing herein.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By Gerard P. FitzGerald

(Title) DEPUTY DIRECTOR OF AVIATION

Seal

ATTEST:

Secretary

Charles D. MarLett

AMERICAN AIRLINES, INC.

By Kenneth R. Lemke

(Title) ~~Vice President~~ President

(Corporate Seal)

APPROVED:
FORM | TERMS
5/9/95

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 27 day of June, 1995, before me, personally came Gerald P. Fitzgerald to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, N.Y.; that he is the Deputy Director of Aviation of The Port Authority of New York and New Jersey, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Jacqueline White
(notarial seal and stamp)

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1997

STATE OF Texas)
) ss.
COUNTY OF Tarrant)

On the 28th day of April, 1995, before me, personally came K. R. Lemke to me known, who, being by me duly sworn, did depose and say that he resides at 4255 Amon Carter Blvd Fort Worth, TX; that he is the ~~President~~ Sr. Real Estate Counsel of AMERICAN AIRLINES, INC., the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Doreen L. Dow
(notarial seal and stamp)

THE PORT AUTHORITY OF NY & NJ

AVIATION DEPARTMENT

David Z. Plavin
Director of Aviation

One World Trade Center
New York, N.Y. 10048

(212) 435-7000
(201) 961-6600

NOTICE OF TENDER

September 23, 1994

ORIG

JFK-074S
(copy in ref file)

American Airlines, Inc.
MC 4213
4255 Amon Carter Boulevard
Fort Worth, Texas 76155

Attention: Ms. Jayne Allison, Vice President
Corporate Real Estate

RE: JFKIA - NOTICE OF TENDER - PORTION OF AREA F - AMERICAN AIRLINES, INC. - LEASE NO. AYB-85 - SUPPLEMENT NO. 11

To American Airlines, Inc.:

As you know, you, American Airlines, Inc. ("American") and The Port Authority of New York and New Jersey (the "Port Authority") have heretofore as of August 1, 1976 entered into a certain agreement of lease identified by Port Authority Lease Agreement No. AYB-085 (the "Lease") covering certain premises at John F. Kennedy International Airport and, further, have entered into a supplement to said Lease made as of the first day of January 1993 and identified as Supplement No. 11 thereto (the "Supplement"). Subparagraph (b) of paragraph 1 of the Supplement provides for the tender upon thirty (30) days' notice by the Port Authority to American of Area F (as defined in the Supplement) in its entirety at one time or at different times in two parcels.

Please take notice, effective October 24, 1994 (the "Effective Date") tender by the Port Authority of the 12.30 acres of Area F identified as Area 2A on the drawing attached hereto and hereby made a part hereof is being made pursuant to subparagraph (b) of paragraph 1 of the Supplement and from and after the Effective Date said Area 2A shall be and become a portion of Area III of the premises under the Lease. The total number of acres of land in Area F which will have been tendered to American pursuant to said subparagraph (b) as of the Effective Date will be 40.44 acres.

Please take further notice that the Area III Rentals (as defined in Section 4 of the Lease) from and after the Effective Date shall be as follows:

(a) In the amount of (Ex. 2.a.) per annum for the period from the Effective Date through December 31, 1994, both dates inclusive;

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Writer's direct dial telephone: _____

(b) In the amount of (Ex. 2.a.) per annum for the period from January 1, 1995 through December 31, 1995, both dates inclusive; and

(c) From and after January 1, 1996 throughout the remainder of the term of the letting, a rental in an amount to be calculated as set forth in Subdivision II. C. 2 of Section 4 of the Lease.

The Area III Rentals shall be paid in accordance with Subdivision III of Section 4 of the Lease.

Sincerely,

Gerald P. FitzGerald
Deputy Director of Aviation

Enclosure

cc: T. Frain (AAL)
K. Lemke (AAL)

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON
THE PORT AUTHORITY UNTIL DULY EXECUTED
BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED
TO THE LESSEE BY AN AUTHORIZED
REPRESENTATIVE OF THE PORT AUTHORITY

ORIGINALS

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 10

THIS SUPPLEMENTAL AGREEMENT, made as of the 30th day of June, 1989, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC., (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same has been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the parties desire to terminate the occupancy of the Lessee of a portion of the premises under the Lease and to add to the premises under the Lease and to amend the Lease in certain other respects as hereinafter provided,

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of July 1, 1989, as follows:

1. (a) Effective as of July 1, 1989 the Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority at the Airport upon all the terms, conditions, provisions, covenants and agreements of the Lease the ground space as shown in stipple and the ground space as shown in stipple-cross hatching on the sketch attached hereto, hereby made a part hereof and marked "Exhibit D", (which ground space is hereinafter referred to as "Area D") together with all the fixtures, improvements, structures and other property, if any, of the Port Authority, located or to be located therein, thereon or thereunder, and all fixtures, improvements, structures and additions located, constructed or installed, or which may be located, constructed or installed therein, thereon or thereunder, to be and become a part of the premises under the Lease and subject to all the terms, conditions, provisions, covenants and agreements of the Lease.

(b) Effective as of July 1, 1989 the words "and in stipple-cross hatching on Exhibit D" shall be deemed inserted within the parenthetical after the words "Exhibit A" on the fourth line of paragraph (c) of Section 1 of the Lease.

(c) The strip of land lying along and within the northwesterly (directions set forth in this paragraph (c) are true) boundary line of the premises (which strip is shown in stipple-crosshatching on Exhibit D), together with a corresponding contiguous strip of land lying along and within the southeasterly boundary of the space let to United Air Lines, Inc. and immediately abutting on the northwesterly side of the premises shall be subject to a joint and mutual easement for a taxiway to be used jointly by the Lessee and United Air Lines, Inc. or by any successors in interest of either or both of them or other sublessees or other occupants or users who, pursuant to Port Authority permission, may occupy or use the premises herein or the space let to United Air Lines, Inc. and such rights of easement for such taxiway purposes shall continue during the effective periods of the respective agreements covering the same.

2. Effective on and after June 30, 1989 at 11:59 o'clock P.M. (which date and hour are hereinafter in this paragraph 2 collectively called "the Surrender Date") the Lessee has granted, bargained, sold, surrendered and yielded up and does by these presents grant, bargain, sell, surrender and yield up unto the Port Authority, its successors and assigns, forever, the portion of the premises shown in diagonal hatching on Exhibit D (said portion of the premises being a portion of Area B which is shown in diagonal hatching on Exhibit C attached to Supplement No. 1 to the Lease and said portion of the premises being hereinafter, in this paragraph 2, called "the Surrendered Premises") and the term of years with respect thereto under the Lease yet to come and has given, granted and surrendered and by these presents does give, grant and surrender to the Port Authority, its successors and assigns, all the rights, rights of renewal, licenses, privileges and options of the Lessee granted by the Lease with respect to the Surrendered Premises, all to the intent and purpose that the said term under the Lease and the said rights of renewal, licenses, privileges and options may be wholly merged, extinguished and determined on the Surrender Date, with the same force and effect as if the said term were in and by the provisions of the Lease originally fixed to expire on the Surrender Date;

TO HAVE AND TO HOLD the same unto the Port Authority, its successors and assigns forever.

The Lessee hereby covenants on behalf of itself, its successors and assigns that (a) it has not done or suffered and will not do or suffer anything whereby the Surrendered Premises or the Lessee's leasehold therein, has been or shall be encumbered as of the Surrender Date in any way whatsoever; (b)

the Lessee is and will remain until the Surrender Date the sole and absolute owner of the leasehold estate in the Surrendered Premises and of the rights, rights of renewal, licenses, privileges and options granted by the Lease with respect thereto and that the same are and will remain until the Surrender Date free and clear of all liens and encumbrances of whatsoever nature; and (c) the Lessee has full right and power to make this Agreement.

All promises, covenants, agreements and obligations of the Lessee with respect to the Surrendered Premises under the Lease or otherwise, which under the provisions thereof would have matured upon the date originally fixed in the Lease for the expiration of the term thereof, or upon the termination of the Lease prior to the said date, or within a stated period after expiration or termination shall, notwithstanding such provisions, mature upon the Surrender Date and shall survive the execution and delivery of this Agreement.

The Lessee has released and discharged and does by these presents release and discharge the Port Authority from any and all obligations of every kind, past, present or future on the part of the Port Authority to be performed under the Lease with respect to the Surrendered Premises. The Port Authority does by these presents release and discharge the Lessee from any and all obligations on the part of the Lessee to be performed under the Lease with respect to the Surrendered Premises for that portion of the term subsequent to the Surrender Date; it being understood that nothing herein contained shall release, relieve or discharge the Lessee from any liability for rentals or for other charges that may be due or become due to the Port Authority for any period or periods prior to the Surrender Date, or for breach of any other obligation prior to the Surrender Date, or for breach of any other obligation on the Lessee's part to be performed under the Lease for or during such period or periods or maturing pursuant to the foregoing paragraph.

In consideration of the making of this Agreement by the Port Authority and the above described release, the Lessee hereby agrees to terminate its occupancy of the Surrendered Premises and to deliver actual, physical possession of the Surrendered Premises to the Port Authority, on or before the Surrender Date, in the condition required by the Lease upon surrender.

Effective on and after the Surrender Date all references in the Lease to Area B shall mean and refer to the area shown in diagonal hatching on Exhibit C less the area shown in diagonal hatching on Exhibit D (sheet 1 of 2).

3. On and after July 1, 1989 the Lessee shall pay to the Port Authority a rental under the Lease (hereinafter called the "Area D Rental") for Area D of the premises at the annual rate of

(Ex. 2.a.) to be paid in equal monthly installments of in advance commencing on July 1, 1989 and on the first day of each and every calendar month thereafter during the balance of the term of the letting under the Lease. If any installments of the Area D rental shall be for less than a full calendar month, then the Area D rental payment for the portion of the month for which such payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

4. In the event that the Lessee shall, at any time during the letting hereunder as to Area D, by the provisions of the Lease become entitled to an abatement of rental, said abatement shall be computed as follows:

(a) For each square foot of Area D the use of which is denied to the Lessee, at the annual rate of (Ex. 2.a.)

5. Effective from and after April 1, 1991 Section 13 of the Lease shall be amended as follows:

(a) Paragraph (b) shall be amended to read as follows:

> "(b) If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority."

(b) Paragraph (c) shall be deemed amended to become paragraph (d) and a new paragraph (c) shall be deemed inserted reading as follows:

> "(c) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under this Agreement, the Lessee during the term of this Agreement in its own name as insured and including the Port Authority as an additional insured shall maintain and pay the premiums on a policy or policies of comprehensive general liability insurance, including automotive, products, liquor liability and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability and airport operator's liability under an

airport liability policy, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below. The Lessee may elect, in lieu of the foregoing requirement with respect to care, custody and control exclusions, in its own name as insured and including the Port Authority as an additional insured as its interest may appear to maintain and pay the premiums on a Hangar Legal Liability, Cargo Legal Liability, Baggage Legal Liability and Real Property Legal Liability policy or policies in the limits set forth below. The said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Port Authority and any claim or action against the Port Authority by the Lessee as though the Port Authority were a named insured but such endorsement shall not limit, vary, change, or affect the protection afforded the Port Authority thereunder as an additional insured. The said policy or policies of insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Lessee under paragraph (a) hereof.

	Minimum Limits
Comprehensive General Liability Bodily Injury Liability: For injury to or wrongful death of one or more than one person in any one occurrence:	$100,000,000
Property Damage Liability (including but not limited to aircraft in the care, custody and control of the Lessee) For all damages arising out of injury to or destruction of property in any one occurrence:	$100,000,000
Comprehensive Automobile Liability Bodily Injury Liability: For injury to or wrongful death one or more than one person in any one occurrence:	$ 25,000,000

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Property Damage Liability:
For all damages arising out of
injury to or destruction of
property in any one occurrence: $ 25,000,000

Notwithstanding the foregoing, it is specifically understood and agreed that the Port Authority shall have the right upon notice to the Lessee given from time to time and at any time to require the Lessee to increase any or all of the foregoing limits to commercially reasonable amounts and the Lessee shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Port Authority."

6. (a) The term of the letting under the Lease as to Area A and Area B (as diminished by the surrender effective June 30, 1989 set forth in paragraph 2 of this Supplemental Agreement) is hereby extended for the period ending on the 31st day of March, 1993, unless sooner terminated in accordance with the provisions of the Lease.

(b) For the period from July 1, 1989 to March 31, 1990 the Lessee shall pay a rental under the Lease for Area B at the annual rate of

(Ex. 2.a.) payable in equal monthly installments of on July 1, 1989 and on the first day of each calendar month during such period.

(c) On and after April 1, 1990 the Lessee shall pay a rental under the Lease for Area B at the annual rate of

) payable in equal monthly installments of on April 1, 1990 and on the first day of each and every calendar month thereafter during the term of the extension of the letting as to Area B.

(d) On and after April 1, 1990 the Lessee shall pay a rental under the Lease for Area A at the annual rate of

(Ex. 2.a.)) payable in equal monthly installments of on April 1, 1990 and on the first day of each and every calendar month thereafter during the term of the extension of the letting as to Area A.

7. Effective on and after April 1, 1990 paragraph 5 of Supplement No. 1 of the Lease, as amended in Supplement No. 9 of the Lease, shall be further amended by deleting therefrom the amount appearing in the last line of subparagraph (a) and subparagraph (b) thereof and substituting the amount in lieu thereof.

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8. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

9. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

10. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall remain in full force and effect.

11. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By Gerard P. Fitzgerald

(Title) DEPUTY DIRECTOR OF AVIATION

ATTEST:

Charles D. MarLee Secretary

AMERICAN AIRLINES, INC.

By

(Title) Vice President

(Corporate Seal)

AMERICAN AIRLINES, INC.

By Gerard J. Arpey

Title Senior Vice President Planning

APPROVED: FORM | TERMS

AAJFK 072588

FORM E — Acknowledgment (N. Y. Corp.) 6/24/72

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 25 day of February, 1993, before me came Gerald P. Fitzgerald, to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, NY.

that he is the Deputy Dir of Aviation of The Port Authority of New York and New Jersey, one of the corporations described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Commissioners of the said corporation; and that he signed his name thereto by like order.

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1993

Jacqueline White
(Notarial Seal and Stamp)

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On the 8th day of December, 19 92 before me personally came A. Jaynne Allisor to me known, who being by me duly sworn, did depose and say, that she resides at P. O. Box 619616, MD4213 DFW Airport, TX 75261-9616 that she is the Vice President of American Airlines, Inc. one of the corporations described in and which executed the foregoing instrument; that she knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Michelle L. Echols
(Notarial Seal and Stamp)

MICHELLE L. ECHOLS
MY COMMISSION EXPIRES
March 6, 1995

STATE OF)
) ss.
COUNTY OF)

On the day of , 19 , before me personally came to me known, who, being by me duly sworn, did depose and say, that he resides at that he is the of one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

(Notarial Seal and Stamp)

AAJFK 072589

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 12

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, made as of the 22nd day of November, 1993, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called the "Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976, (which agreement of lease, as the same may have been heretofore supplemented and amended, is hereinafter called the "Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called the "Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authority has entered into agreements consisting of an Energy Purchase Agreement, dated as of April 28, 1993, a Construction and Operations Agreement, dated as of April 28, 1993, and an Agreement of Lease, dated as of April 28, 1993, (all the foregoing Agreements being hereinafter as the same may be supplemented, amended and extended from time to time collectively and individually called the "Cogeneration Agreement") with KIAC Partners, a New York general partnership (hereinafter called "KIAC") for the construction, installation and operation of a cogeneration facility at the Airport; and

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of the date hereof, as follows:

1. Paragraph No. (6)(u)(5) of Supplement No. 11 to the Lease provides, among other things, that on notice from the Port Authority, the Lessee shall waive for itself, its successors and assigns any right the Lessee may have, and further agrees that the Lessee, its successors and assigns shall have no right, to manufacture or produce, to cause to be manufactured or produced

or to purchase or receive from any third party, Hot Water of Chilled Water (as such terms are defined in the said paragraph) for use on the premises or to use any other manner of air cooling or air heating at the premises except to purchase, receive and use Hot Water and Chilled Water from the Port Authority pursuant to the Lease.

2. The Lessee installed a 500 ton centrifugal chiller (hereinafter called the "Chiller") in the interior of the portion of the premises generally known as Building No. 56 (hereinafter called the "Terminal"). The Lessee hereby agrees that the Chiller may only be used as back up capability to the supply of Chilled Water by KIAC as set forth in the Lease and the Cogeneration Agreement, and that the Chiller will be operated only when the Lessee has demonstrated to the satisfaction of the Port Authority that KIAC has failed to supply Chilled Water as set forth in the Lease and the Cogeneration Agreement.

3. The Chiller is not a substitute for an adequately designed, installed and maintained HVAC system at the premises which under normal and design load conditions is capable of using Chilled Water supplied by KIAC to satisfy demand as set forth in the Lease and the Cogeneration Agreement. Before the Lessee may use the Chiller under the circumstances set forth in Paragraph 2 above, the Lessee must demonstrate to the Port Authority's satisfaction (the Port Authority reserving the right to consult with KIAC in connection therewith) that the HVAC system is designed to this condition and installed such that it is capable of operating properly under design conditions completely on Chilled Water, without resort to the Chiller. It shall not be marginal in this respect. It shall also be the Lessee's responsibility to continually maintain the HVAC system to this level of capability. The Lesssee's failure in any of these respects shall preclude operation of the Chiller under the circumstances set forth in Paragraph 2 above.

4. The Port Authority and the Lessee understand that there is potential for unauthorized use of the Chiller. The Lessee understands that unauthorized use will cause harm to KIAC and that pursuant to the Lease and the Cogeneration Agreement KIAC is to supply to the Port Authority for resale to the Lessee all of the Lessee's requirements for Chilled Water at the premises.

5. The Lessee shall notify the Port Authority whenever it observes that KIAC is not delivering an adequate flow of Chilled Water or sufficiently cold Chilled Water as set forth in

the Lease and the Cogeneration Agreement. Upon such notification by the Lessee of an inadequate flow of Chilled Water or insufficient Chilled Water, the Lessee may operate the Chiller until such inadequacy or insufficiency is corrected.

6. (a) Notwithstanding Section 5 hereof, upon the determination of the Port Authority, which may be made from time to time on one or more occasions, that the Lessee has used the Chiller in non-compliance with this Supplemental Agreement, the Port Authority may direct the Lessee to disable the Chiller or to remove the Chiller from the premises.

(b) The agreement of the Lessee that the Lessee shall disable or remove the Chiller upon the direction of the Port Authority, as aforesaid, is of the essence of this Agreement and the Port Authority shall be entitled to a decree against the Lessee requiring specific performance thereof and the Lessee hereby waives any defense to such specific performance based upon the adequacy of a remedy at law to any such action or actions which may be so brought. The foregoing shall be in addition to and not in lieu of or exclusive of any other remedy available to the Port Authority at law or in equity.

7. The Lessee shall, on notice from the Port Authority, pay to the Port Authority all charges, including without limitation all applicable taxes, arising out of the use of the Chiller by the Lessee whether based on the consumption of Chilled Water or otherwise, as if the same were charges for the consumption of Chilled Water under Section 41 of the Lease as such Section is in effect on the date of such notice from the Port Authority pursuant to Supplement No. 11 to the Lease.

8. (a) Without limiting the generality of the provisions of Paragraph No. 7 above and Section 13 of the Lease entitled "Indemnity and Liability Insurance", the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands of KIAC against the Port Authority under the Cogeneration Agreement arising out of the installation and/or use of the Chiller by the Lessee.

(b) If so directed, the Lessee shall at its own expenses defend any suit based upon any such claim or demand (even if such suit, claim or demand is groundless, false or

fraudulent), and in handling such it shall not without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, offices, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

9. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

10. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall remain in full force and effect.

11. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Agreement, or because of any breach hereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____
DEPUTY DIRECTOR OF AVIATION

(Title)

(Seal)

ATTEST

Charles D. MacLeod
Corporate Secretary

Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) Vice President

(Corporate Seal)

AAJFK 072576

APPROVED:
FORM | TERMS

FORM E - Acknowledgment (N.Y. Corp.) 6/24/72

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 20 day of September, 1994, before me came Gerald P. Fitzgerald, to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, N.Y. that he is the Deputy Director of Aviation of The Port Authority of New York and New Jersey, one of the corporations described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Commissioners of the said corporation; and that he signed his name thereto by like order.

Jacqueline White
(notarial seal and stamp)

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1995

STATE OF Texas)
) ss.
COUNTY OF Tarrant)

On the 21 day of July, 1994, before me personally came A. Jayne Allison to me known, who being by me duly sworn, did depose and say, that he resides at (Ex. 1)

that he is the President of **AMERICAN AIRLINES, INC.** one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

NOTARY PUBLIC STATE OF TEXAS
TAMMY L. MACEJAK
Notary Public, State of Texas
My Commission Expires 11-30-96

Tammy L. Macejak
(notarial seal and stamp)

STATE OF)
) ss.
COUNTY OF)

On the day of , 1994, before me personally came to me known, who being by me duly sworn, did depose and say, that he resides at (Ex. 1)
that he is the President of , one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

(notarial seal and stamp)

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

ORIGINALS

4F K-74 3

John F. Kennedy International Airport
Lease No. AYB-085
Supplement No. 9

THIS SUPPLEMENTAL AGREEMENT, made as of March 31, 1988 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 and identified by the above stated lease Number (which agreement of lease, as the same has been supplemented and amended, is hereinafter called "the Lease") the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of March 31, ~~1988~~ 1987, as follows:

1. The term of the letting as to Area A and Area B under the Lease is hereby extended for the period ending on the 31st day of March, 1992, unless sooner terminated in accordance with the provisions of the Lease, at a rental during the extension, as to Area A, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of and, as to Area B, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of on the first day of each and every calendar month of the extension.

2. Paragraph 5 of Supplement No. 1 of the Lease, as amended in Supplement No. 8 of the Lease, shall be further amended by deleting therefrom the amount (Ex.2.a.) appearing in the last line of subparagraph (a) and subparagraph (b) thereof and substituting the amount (Ex. 2.a.) in lieu thereof.

3. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not

specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms, or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the extension hereunder.

5. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

6. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

7. This Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in the Lease or this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents, as of the date first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By

(Title) ASSISTANT DIRECTOR OF AVIATION

(Seal)

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By

(Title) ~~President~~

(Corporate Seal)

APPROVED FORM IERNS

AAJFK 072593

FORM XLD—Ack., N.Y. 51380

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 22 day of February, 19 91/88, before me personally came Gerald P. Fitzgerald to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, NY.;

that he is the Asst Dir of Aviation of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Jacqueline White
(notarial seal and stamp)

STATE OF Texas }
COUNTY OF Dallas } ss.:

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1991

On the 10th day of January, 19 89, before me personally came Thomas J. Kiernan to me known, who, being by me duly sworn, did depose and say that he resides at Dallas, Texas;

that he is the Vice President of Corporate Services American Airlines, Inc.

one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Ann E. King
(notarial seal and stamp)
11-30-92

~~STATE OF~~ }
COUNTY OF } ss.:

On the ____ day of _____, 19____, before me personally came _____

_____ to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

~~(notarial seal and stamp)~~

AAJFK 072594

THE PORT AUTHORITY OF NY & NJ

Aviation Department
Robert J. Aaronson, Director

One World Trade Center
[illegible]
(212) 466-7455
(201) 622-0600 x7453

AYB-085

May 18, 1987

AYB-085 JFK-748

American Airlines, Inc.
Post Office Box 619622
Dallas/Fort Worth Airport,
Texas 75261-9622

Gentlemen:

American Airlines, Inc. (hereinafter referred to as "American") occupies passenger terminal facilities and related areas (hereinafter referred to as the "premises") at John F. Kennedy International Airport under the terms of an agreement of lease dated as of August 1, 1976 and bearing Port Authority File No. AYB-085 (which agreement of lease, as the same has been heretofore amended and supplemented is hereinafter referred to as the "Unit Terminal Lease").

American has requested that the Port Authority establish and then operate a consolidated ground transportation reservation and information counter at the premises and the Port Authority is willing to do so on the terms and conditions contained below in this Letter Agreement for an effective period commencing on the date hereof and ending September 30, 1989:

1. In lieu of the provisions of Section 52 of the Unit Terminal Lease obligating American to make available space with respect to limousine, bus, taxi and other ground transportation operators at the Airport (but not including car rental operators as to which the provisions of the said Section 52 shall be and continue in full force and effect), American shall provide to the Port Authority or its contractors, without charge, such counter space within the premises under the Unit Terminal Lease as may reasonably be required for use as a consolidated ground transportation reservation and information counter or counters (hereinafter called the "Consolidated Counter") to be operated by the Port Authority or its contractors.

2. American agrees to provide access to and from the public ways outside the premises to the Port Authority, its employees and its contractors and the ground transportation patrons and other users of the Consolidated Counter; to permit

use of such portions of the public pedestrian circulation areas of the premises as may reasonably be required for the operation of the Consolidated Counter and the accommodation of the users thereof; to permit reasonable physical modifications of the counter space by the Port Authority or its contractors; to permit the installation of such telephone and other communication lines, cables and conduits on and across the premises as may be required for the operation of the Consolidated Counter and to provide access to the Port Authority and its contractors to and from the public ways outside the premises in connection with the aforesaid physical modification and installation. American acknowledges and agrees that the Consolidated Counter shall at all times be a part of the premises under the Unit Terminal Lease and subject to all the terms and provisions thereof including, but not limited to indemnity, the payment of rentals and repair and maintenance. American shall, at its sole cost and expense, supply all utilities necessary for the operation of the Consolidated Counter including but not limited to heat, light, ventilation, air conditioning and electricity on a twenty-four (24) hours per day seven (7) days per week basis. American shall not be required to provide telephone service to the Consolidated Counter.

3. The Port Authority shall have the right at any time, without cause, on One Hundred Eighty (180) days notice to American to discontinue the operation of the Consolidated Counter and from and after the effective date stated in said notice the operation of the Consolidated Counter shall terminate and cease and the provisions of this Letter Agreement shall be null, void and of no further force and effect and the provisions of Section 50 of the Unit Terminal Lease and American's obligations as set forth therein with respect to limousine, bus, taxi, car rental and other ground transportation operators shall be deemed reinstated and in full force and effect.

If American wishes to proceed with the establishment and operation of the Consolidated Counter upon the basis of and under the terms of this Letter Agreement, please indicate your acceptance of the same by signing both counterparts of this Letter Agreement and returning them to the Port Authority's Business Administration Division at Kennedy International

THE PORT AUTHORITY OF NY & NJ

Airport. The return of one of the counterparts to American after execution by the Port Authority shall place this Letter Agreement into effect.

Very truly yours,

Robert J. Aaronson
Director of Aviation

ACCEPTED BY:

AMERICAN AIRLINES, INC.

By _____

Title _____

APPROVED:
FORM
NOV
TERMS

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

ORIGINALS

9FK-748

Lease No. AYB-085
Supplement No. 8
Facility - John F. Kennedy International Airport

THIS SUPPLEMENTAL AGREEMENT, made as of March 31, 1986 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 and identified by the above stated lease Number (which agreement of lease, as the same has been supplemented and amended, is hereinafter called "the Lease") the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained the Port Authority and the Lessee hereby agree effective March 31, 1986 as follows:

1. The term of the letting as to Area A and Area B under the Lease is hereby extended for the period ending on the 31st day of March, 1987, unless sooner terminated in accordance with the provisions of the Lease, at a rental during the extension, as to Area A, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of and, as to Area B, at the annual rate of (Ex. 2.a.), payable in advance in equal monthly installments of , on the first day of each and every calendar month of the extension.

2. Paragraph 5 of Supplement No. 1 of the Lease is hereby deemed amended by deleting therefrom the amount appearing in the last line of subparagraph (a) and subparagraph (b) thereof and substituting in lieu thereof the amount

3. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms, or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the extension hereunder.

5. The Lessee and the Port Authority acknowledge that the premises under the Lease constitute non-residential real property.

6. Effective as of April 1, 1986, the last three lines of paragraph (b) of Section 13 of the Lease, following the word "limits:", shall be deemed deleted and the following words shall be deemed inserted therein "$100,000,000 minimum Comprehensive General Liability insurance covering bodily injury, including wrongful death, automobile liability and property damage liability combined single limit for each occurrence."

7. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution, or because of any breach thereof.

8. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

9. This Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the

Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in the Lease or this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents, as of the date first written above.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By Gerald P. FitzGerald

(Title) ASSISTANT DIRECTOR OF AVIATION

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By A. Jayhne Allison

(Title) Acting Vice President - Corporate Services

(Corporate Seal)

APPROVED:
FORM
TERMS
1/30/91

AAJFK 072600

FORM XLD—Ack., N.Y. 51380

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 22 day of February, 1991 before me personally came Donald P Fitzgerald to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, NY.;

that he is the Asst Dir of Aviation of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Jacqueline White
(official seal and seal stamp)

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1991

STATE OF TEXAS }
COUNTY OF TARRANT } ss.:

On the 24th day of January, 1991, before me personally came A. Jaynne Allison to me known, who, being by me duly sworn, did depose and say that he resides at P. O. Box 619616, MD4213, DFW Airport, TX 75261;

that he is the Acting Vice President of Corporate Services American Airlines, Inc. one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Barbara J. Matthews
(notarial seal and seal stamp)

BARBARA J. MATTHEWS
MY COMMISSION EXPIRES
November 7, 1994

STATE OF }
COUNTY OF } ss.:

On the day of , 19 , before me personally came to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

(notarial seal and seal stamp)

AAJFK 072601

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

ORIGINALS

9FK-748

Lease No. AYB-085
Supplement No. 8
Facility - John F. Kennedy International Airport

THIS SUPPLEMENTAL AGREEMENT, made as of March 31, 1986 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called the "Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 and identified by the above stated lease Number (which agreement of lease, as the same has been supplemented and amended, is hereinafter called "the Lease") the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained the Port Authority and the Lessee hereby agree effective March 31, 1986 as follows:

1. The term of the letting as to Area A and Area B under the Lease is hereby extended for the period ending on the 31st day of March, 1987, unless sooner terminated in accordance with the provisions of the Lease, at a rental during the extension, as to Area A, at the annual rate of

payable in advance in equal monthly installments of (Ex. 2.a.) and, as to Area B, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of on the first day of each and every calendar month of the extension.

2. Paragraph 5 of Supplement No. 1 of the Leage is hereby deemed amended by deleting therefrom the amount (Ex. 2.a.) appearing in the last line of subparagraph (a) and subparagraph (b) thereof and substituting in lieu thereof the amount (Ex. 2.a.)

3. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms, or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the extension hereunder.

5. The Lessee and the Port Authority acknowledge that the premises under the Lease constitute non-residential real property.

6. Effective as of April 1, 1986, the last three lines of paragraph (b) of Section 13 of the Lease, following the word "limits:", shall be deemed deleted and the following words shall be deemed inserted therein "$100,000,000 minimum Comprehensive General Liability insurance covering bodily injury, including wrongful death, automobile liability and property damage liability combined single limit for each occurrence."

7. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution, or because of any breach thereof.

8. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

9. This Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the

Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in the Lease or this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents, as of the date first written above.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By Gerald P. FitzGerald

(Title) ASSISTANT DIRECTOR OF AVIATION

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By A. Jayhne Allison

(Title) Acting Vice President - Corporate Services

(Corporate Seal)

APPROVED:
FORM
TERMS
1/30/91

AAJFK 072600

FORM XLD—Ack., N.Y. 51380

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

On the 22 day of February, 1994, before me personally came Gerald P Fitz Gerald to me known, who, being by me duly sworn, did depose and say that he resides at Flushing, NY.

that he is the Ass't Dir. of Aviation of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Jacqueline White
(notarial seal and stamp)

JACQUELINE WHITE
Notary Public, State of New York
No. 4737769
Qualified in Suffolk County
Commission Expires May 31, 1994

STATE OF TEXAS }
COUNTY OF TARRANT } ss.

On the 24th day of January, 1994, before me personally came A. Jaynne Allison to me known, who, being by me duly sworn, did depose and say that he resides at P. O. Box 619616, MD4213, DFW Airport, TX 75261

that he is the Acting Vice President of Corporate Services American Airlines, Inc. one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Barbara J. Matthews
(notarial seal and stamp)

BARBARA J. MATTHEWS
MY COMMISSION EXPIRES
November 7, 1994

~~STATE OF~~ }
~~COUNTY OF~~ } ~~ss.~~

~~On the ____ day of ____, 19__, before me personally came ____ to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.~~

~~(notarial seal and stamp)~~

AAJFK 072601

AYB-085

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

JFK-748

MEMORANDUM COPY

Agreement shall not be binding upon the Authority until duly executed by an ex- ive officer thereof, and delivered by an norized representative of the Port Authority.

Supplement No. 8
Facility: John F. Kennedy International Airport
Lease No. AYB-085

THIS SUPPLEMENTAL AGREEMENT, made as of March 31, ~~1986~~ by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

AJA

WHEREAS, by a certain agreement of lease made as of August 1, 1976 and identified by the above stated lease Number (which agreement of lease, as the same has been supplemented and amended, is hereinafter called "the Lease") the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree effective March 31, 1986 as follows:

INITIAL
AJA

1. The term of the letting as to Area A and Area B under the Lease is hereby extended for the period ending on the 31st day of March, ~~1988~~ 1987, unless sooner terminated in accordance with the provisions of the Lease, at a rental during the extension, as to Area A, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of (Ex. 2.a.) and, as to Area B, at the annual rate of (Ex. 2.a.) payable in advance in equal monthly installments of (Ex. 2.a.) on the first day of each and every calendar month of the extension.

AAJFK 072602

2. Paragraph 5 of Supplement No. 1 of the Lease is hereby deemed amended by deleting therefrom the amount (ex. 2.a.) appearing in the last line of subparagraph (a) and subparagraph (b) thereof and substituting in lieu thereof the amount

3. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

4. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms, or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the extension hereunder.

5. The Lessee and the Port Authority acknowledge that the premises under the Lease constitute non-residential real property.

6. Effective as of April 1, 1986, the last three lines of paragraph (b) of Section 13 of the Lease, following the word "limits:", shall be deemed deleted and the following words shall be deemed inserted therein "$100,000,000 minimum Comprehensive General Liability insurance covering bodily injury, including wrongful death, automobile liability and property damage liability combined single limit for each occurrence."

7. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

8. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

9. This Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the

Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed writing in the Lease or this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents, as of the date first above written.

ATTEST:

_____
Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

(Title) _____
(Seal)

ATTEST:

_____
Secretary

AMERICAN AIRLINES, INC.

By A. Jayne Allison

(Title) Director & Senior Counsel ~~Vice President~~
(Corporate Seal)

AAJFK 072604

RM XLD—Ack., N.Y. 51380

TE OF NEW YORK
UNTY OF NEW YORK } ss.

n the _____ day of _____, 19 86, before me personally came

_____ to me known, who, being by

duly sworn, did depose and say that he resides at _____

_____;

t he is the _____ of The Port Authority of New York and New
sey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the
d corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the
ard of Commissioners of the said corporation; and that he signed his name thereto by like order.

_____
(notarial seal and stamp)

ATE OF TEXAS
OUNTY OF TARRANT } ss.

On the 7 day of November, 19 86, before me personally came _____

A. Jayne Allison to me known, who, being by me duly

orn, did depose and say that she resides at Dallas, Texas

_____;

at she is the Director & Sr. Counsel President of _____

AMERICAN AIRLINES, INC.
ne of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corp-
ration; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of
Directors of the said corporation; and that he signed his name thereto by like order.

Colleen Zentell
(notarial seal and stamp) Expiration 11/7/88

~~STATE OF~~ _____
COUNTY OF } ss.

On the _____ day of _____, 19____, before me personally came _____

_____ to me known and known to me to be the individual described in and who executed the foregoing
instrument, and acknowledged to me that he executed the same.

_____
(notarial seal and stamp)

AAJFK 072605

AYB-085

TAIP
HISCOPY
FOR YOUR
FILES

JFK-748

THIS SUPPLEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

MEMORANDUM COPY

This Agreement shall not be binding upon the Port Authority until duly executed by an executive officer thereof, and delivered by an authorized representative of the Port Authority.

Supplement No. 7
Facility: John F. Kennedy International Airport
Lease No. AYB-085

THIS SUPPLEMENTAL AGREEMENT, made as of March 31, 1985 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease dated as of August 1, 1976 and identified by the above stated lease Number (which agreement of lease, as the same has been supplemented and amended, is hereinafter called "the Lease") the Port Authority let to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree as follows:

1. Effective as of March 31, 1985, the term of the letting as to Area A and Area B under the Lease is hereby extended for the period ending on the 31st day of March, 1986, unless sooner terminated in accordance with the provisions of the Lease, at a rental during the extension. as to Area A. at the annual rate of

(Ex. 2.a.) payable in advance in equal monthly installments of

and, as to Area B, at the annual rate of

(Ex. 2.a.)

payable in advance in equal monthly installments of

on the first day of each and every calendar month of the extension.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect. (Ex. 2.a.)

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms, or corporation whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the extension hereunder.

4. Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof, shall be charged personally by the Lessee with any liability, or held liable to it under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution or because of any breach thereof.

5. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

6. This Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee agrees that no representations or warranties

shall be binding upon the Port Authority unless expressed in writing in the Lease or this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents, as of the date first above written.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By _____

(Title) _____
(Seal)

ATTEST:

AMERICAN AIRLINES, INC.

A. McNamara
Secretary

By Charles E Briggs

(Title) Asst. Vice President - PROPERTIE
(Corporate Seal)

AAJFK 072608

rm CSL: ACK. N.Y., Corp.

TATE OF NEW YORK)
) ss.
OUNTY OF NEW YORK)

On the day of , 19 85 , before me personally
me to me known, who, being by me duly sworn,
d depose and say that he resides at
; that he is the (ex. 1) of
e Port Authority of New York and New Jersey, one of the corporations
escribed in and which executed the foregoing instrument; that he knows the
eal of the said corporation; that the seal affixed to the said instrument
s such corporate seal; that it was so affixed by order of the Board of
ommissioners of the said corporation; and that he signed his name thereto
like order.

(notarial seal and stamp)

TATE OF Texas)
) ss.
OUNTY OF Tarrant)

On the 6 day of May , 1985 , before me personally
ame Charles E. Griffith to me known, who, being by me duly sworn,
d depose and say that he resides at Dallas, Texas
; that he is the Asst. Vice President-Property of
American Airlines, Inc. the corporation described
, and which executed the foregoing instrument; that he knows the seal of
e said corporation; that the seal affixed to the said instrument is such
rporate seal; that it was so affixed by order of the Board of Directors
the said corporation; and that he signed his name thereto by like order.

(notarial seal and stamp)

TATE OF)
) ss.
OUNTY OF)

AAJFK 072609

On the day of , 19 , before me personally
me to me known, who, being by me duly sworn,
d depose and say that he resides at
; that he is the (Ex. 1) of
the corporation described
, and which executed the foregoing instrument; that he knows the seal of
e said corporation; that the seal affixed to the said instrument is such
rporate seal; that it was so affixed by order of the Board of Directors
the said corporation; and that he signed his name thereto by like order.

(notarial seal and stamp)

AYB-085

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

JFK 748

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 6

THIS SUPPLEMENTAL AGREEMENT, made as of the 31st day of March, 1984 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same has been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authroity and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of March 31, 1984, as follows:

1. The term of the letting as to Area A and Area B under the Lease, unless sooner terminated, is hereby extended to and including March 31, 1985 at a rental during the extension. as to Area A, at the annual rate of

equal monthly installments of (ex. 2.a.) payable in advance in

d, as to Area B, at the annual

rate of

(Ex. 2.a.) payable in advance in equal monthly installments of

on the first day of each calendar month of the extension. If any installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

4. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall be and remain in full force and effect.

5. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

(Title) Morris Sloane-Deputy Director of Aviation

(Seal)

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) ASST. VICE President

(Corporate Seal)

AAJFK 072611

APPROVED:
FORM
TERMS

AYB-085

JFK 748

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 5

THIS SUPPLEMENTAL AGREEMENT, made as of the 13th day of June, 1982 by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same has been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of June 13, 1982, as follows:

1. The term of the letting as to Area A and Area B under the Lease, unless sooner terminated, is hereby extended to and including March 31, 1984 at a rental during the extension, as to Area A, at the annual rate of

Ex. 2.a.

, payable in advance in equal monthly installments of

and, as to Area B, at the annual rate of

(Ex. 2.a.)

, payable in advance in equal monthly installments of

.00),

on the first day of each calendar month of the extension. Since the first installments of the aforesaid rentals payable during the extension shall be for less than a full calendar month, the rental payments for the portion of June, 1982 from June 15, 1982 to June 30, 1982 shall be the monthly installments prorated on a daily basis using the actual number of days in the said month. If any other installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

4. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall be and remain in full force and effect.

FORM XLD—Ack., N.Y. 51380

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

On the 14th day of October, 1982, before me personally came

S.J. NOWINSKI to me known, who, being by

me duly sworn, did depose and say that he resides at BAYONNE, NEW JERSEY

:

that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Anthony M. Cedrone
(notarial seal and stamp)
ANTHONY M. CEDRONE
Notary Public, State of New York
No. 30-4730669
Qualified in County of Nassau
Commission Expires March 30, 1984

STATE OF [illegible] }
COUNTY OF [illegible] } ss.

On the 30th day of August, 1982, before me personally came

RICHARD J. THOMSON to me known, who, being by me duly

sworn, did depose and say that he resides at

:

that he is the Senior Vice President of [illegible]

American Airlines, Inc.

one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

[illegible]
(notarial seal and stamp)
[illegible] Expires July 1, 1984

~~STATE OF~~ }
COUNTY OF } ss.

AAJFK 072615

On the _____ day of _____, 19____, before me personally came ___

_____ to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

_____
(notarial seal and stamp)

5. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

(Title) S.J. NOWINSKI
EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

Corp. Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) Vice President-Properties & Facilities (ACTING)

(Corporate Seal)

AAJFK 072616

APPROVED:
FORM
TERMS

FORM XLD—Ack., N.Y. [redacted]

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 7th day of DECEMBER, 19 84, before me personally came MORRIS SLOANE to me known, who, being by me duly sworn, did depose and say that he resides at YONKERS, N.Y.;

that he is the DEPUTY DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Anita E. Westrich
(notarial seal and stamp)

ANITA E. WESTRICH
Notary Public, State of New York
No. 43-1656184
Qualified in Richmond County
Commission Expires March 30, 1985

STATE OF TEXAS }
COUNTY OF TARRANT } ss.:

On the 17 day of April, 19 84, before me personally came _____ CHARLES E. GRIFFITH to me known, who, being by me duly sworn, did depose and say that he resides at _____;

that he is the ASSISTANT VICE President of PRESIDENTS American Airlines, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

AAJFK 072612

Kathleen A. Robbins
(notarial seal and stamp)

KATHLEEN A. ROBBINS
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES 7/31/84

STATE OF }
COUNTY OF } ss.:

On the _____ day of _____, 19____, before me personally came _____ to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

_____
(notarial seal and stamp)

AYB-085

JFK-748

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 4

THIS SUPPLEMENTAL AGREEMENT, made as of the 13th day of June, 1981, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same has been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of June 13, 1981, as follows:

1. The term of the letting as to Area A and Area B under the Lease, unless sooner terminated is hereby extended to and including June 14, 1982 at a rental during the extension, as to Area A, at the annual rate of

(ex. 2.a.)

payable in advance in equal monthly installments of

and, as to Area B, at the annual rate of

payable in advance in equal monthly installments of

on the first day of each calendar month of the extension. Since the first installments of the aforesaid rentals payable during the extension shall be for less than a full calendar month, the rental payments for the portion of June, 1981 from June 15, 1981 to June 30, 1981 shall be the monthly installments prorated on a daily basis using the actual number of days in the said month. If any other installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

4. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall be and remain in full force and effect.

5. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the

Form CSL: ACK. N.Y., Corp.

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 14th day of October, 1982, before me personally came S.J. NOWINSKI to me known, who, being by me duly sworn, did depose and say that he resides at BAYONNE, NEW JERSEY; that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Anthony M. Cedrone
(notarial seal and stamp)

ANTHONY M. CEDRONE
Notary Public, State of New York
No. 30-4730669
Qualified in County of Nassau
Commission Expires March 30, 19 84

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On the 31st day of August, 1982, before me personally came RICHARD B. JAMISON to me known, who, being by me duly sworn, did depose and say that he resides at ; that he is the ACTING VICE President Prop. & FAC. of American Airlines, Inc. the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Kathleen A. Ashley
(notarial seal and stamp)
COMMISSION EXPIRES 9/21/84

STATE OF)
) ss.
COUNTY OF)

AAJFK 072619

On the day of , 19 , before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at ; that he is the of the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

(notarial seal and stamp)

Lease under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

(Title) S. J. NOWINSKI EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

Asst. Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) (ACTING)

(Corporate Seal)

APPROVED: FORM TERMS

THE PORT AUTHORITY OF NY & NJ

Aviation Department
Caesar B. Pattarini, Director

One World Trade Center
New York, N.Y. 10048
(212) 466-7000
(201) 622-6600

JFK-74

AYB-085

July 15, 1980

American Airlines, Inc.
P. O. Box 61616
Dallas/Fort Worth Airport
Dallas, Texas 75261

Attention: Richard Jamison, Assistant
Vice-President, Properties

Re: Lease No. AYB-085

Gentlemen:

As you know, American Airlines and the Port Authority have entered into a new agreement of lease, bearing Port Authority Lease No. AYB-085 (hereinafter referred to as "the Lease") covering facilities at John F. Kennedy International Airport and have executed a Surrender Agreement with regard to Lease No. AY-581. American and the Port Authority now wish to set forth their understanding and agreement with respect to certain matters pertaining to the construction work, as defined in the Lease, as follows:

(1) Prior to the execution of the Lease, certain portions of the said construction work were commenced by American pursuant to and in accordance with a series of Letter Agreements entered into between American and the Port Authority and dated October 31, 1975, December 17, 1975, March 8, 1976 and March 31, 1977. In accordance with paragraph (e) of Section 2 of the Lease the said Letter Agreements are superseded by the Lease and the work performed by American thereunder is expressly made part of the construction work under the Lease.

(2) It is hereby expressly acknowledged that prior to the execution of the Lease, American commenced the use of certain portions of the construction work and that two certificates dated January 4, 1977 and December 14, 1976 with respect to the use of such portions of the construction work were issued by the Port Authority to American. It is hereby expressly agreed that said use of such portions of the construction work by American and the issuance of the said certificates shall be deemed to have been under subparagrqph (2) of paragaph (h) of Section 2 of the Lease.

(3) No certificate by the Port Authority as set forth in subparagraph (1) of paragraph (h) of Section 2 of the Lease has yet been given.

If the terms of this Letter Agreement are satisfactory to you, please indicate your approval and acceptance thereof by signing the enclosed copies in the left-hand corner and return same to this office.

Very truly yours,

THE PORT AUTHORITY OF NEW YORK
AND NEW JERSEY

By _____
S. J. NOWINSKI
(Title) EXECUTIVE ASST. TO DIRECTOR OF AVIATION

We hereby consent, agree to and accept all the terms and conditions hereinabove set forth.

AMERICAN AIRLINES, INC.

By _____

(Title) Asst. V.P. Properties

APPROVED:
FORM TERMS

AYB-085

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

JFK-748

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 2

THIS SUPPLEMENTAL AGREEMENT, made as of the 14th day of June, 1980, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same may have been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of June 14, 1980, as follows:

1. The term of the letting as to Area B under the Lease, unless sooner terminated, is hereby extended to and including June 14, 1981 at a rental during the extension at the annual rate of

, payable in advance in equal monthly installments of .00), on the first day of each calendar month of the extension. Since the first installment of rental payable during the extension shall be for less than a full calendar month, the rental payment for the portion of June, 1980 from June 15, 1980 to June 30, 1980 shall be the monthly installment prorated on a daily basis using the actual number of days in the said month. If any other

installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

4. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall be and remain in full force and effect.

5. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK
AND NEW JERSEY

By S. J. Nowinski

(Title) EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

CORP. Secretary

AMERICAN AIRLINES, INC.

By

(Title) Assistant Vice President Properties

(Corporate Seal)

APPROVED

AAJFK 072624

Form CSL; ACK. N.Y., Corp. & Corp.

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 23rd day of February, 1980, before me personally came S.J. NOWINSKI to me known, who, being by me duly sworn, did depose and say that he resides at BAYONNE, NEW JERSEY; that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Ann P. Tietjen
(notarial seal and stamp)

ANN P. TIETJEN
NOTARY PUBLIC, STATE OF NEW YORK
No. 31-4600922
Qualified in New York County
Commission Expires March 30, 1981

STATE OF Texas)
) ss.
COUNTY OF Dallas)

On the 16th day of December, 1980, before me personally came Richard B. Jamison to me known, who, being by me duly sworn, did depose and say that he resides at Texas; that he is the Assistant Vice President of American Airlines, Inc. the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Properties

Kathleen A. Ashley
(notarial seal and stamp)
Commission Expires 7/21/84

STATE OF)
) ss.
COUNTY OF)

On the day of , 19 , before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at ; that he is the of the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

(notarial seal and stamp)

AAJFK 072625

AYB-085

THIS SUPPLEMENTAL AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

JFK-748

John F. Kennedy International Airport
Port Authority Lease No. AYB-085
Supplement No. 2

THIS SUPPLEMENTAL AGREEMENT, made as of the 14th day of June, 1980, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"),

WITNESSETH, That:

WHEREAS, by a certain agreement of lease made as of August 1, 1976 (which agreement of lease, as the same may have been heretofore supplemented and amended, is hereinafter called "the Lease"), the Port Authority leased to the Lessee and the Lessee hired and took from the Port Authority certain premises at John F. Kennedy International Airport (hereinafter called "the Airport") as more particularly described in the Lease; and

WHEREAS, the Port Authority and the Lessee desire to extend the term of the letting of a portion of the premises under the Lease;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Port Authority and the Lessee hereby agree, effective as of June 14, 1980, as follows:

1. The term of the letting as to Area B under the Lease, unless sooner terminated, is hereby extended to and including June 14, 1981 at a rental during the extension at the annual rate of

(Ex. 2.a.)

, payable in advance in equal monthly installments of 0), on the first day of each calendar month of the extension. Since the first installment of rental payable during the extension shall be for less than a full calendar month, the rental payment for the portion of June, 1980 from June 15, 1980 to June 30, 1980 shall be the monthly installment prorated on a daily basis using the actual number of days in the said month. If any other

installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

2. Without limiting the continuation in effect of all other provisions of Supplement No. 1 of the Lease not specifically amended herein, it is hereby agreed that the provisions of Paragraph 2 of Supplement No. 1 of the Lease shall continue in full force and effect.

3. The Lessee represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the extension hereunder and there is no broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any and all claims for commission or brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement.

4. As herein amended, all the provisions, terms, covenants and conditions of the Lease shall be and remain in full force and effect.

5. Neither the Commissioners of the Port Authority, nor any of them, nor any employee thereof shall be charged personally with any liability or held liable by or to the Lessee under any term or provision of this Supplemental Agreement, or because of any breach thereof, or because of its execution or attempted execution.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

ATTEST:

Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By S. J. Nowinski

(Title) EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

CORP. Secretary

AMERICAN AIRLINES, INC.

By

(Title) Assistant Vice President Properties

(Corporate Seal)

APPROVED

Form CSL; ACK. N.Y., Corp. & Corp.

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 23rd day of February, 1980 81, before me personally came S.J. NOWINSKI to me known, who, being by me duly sworn, did depose and say that he resides at BAYONNE, NEW JERSEY; that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Ann P. Tietjen
(notarial seal and stamp)

ANN P. TIETJEN
NOTARY PUBLIC, STATE OF NEW YORK
No. 31-4509922
Qualified in New York County
Commission Expires March 30, 1981

STATE OF Texas)
) ss.
COUNTY OF Dallas)

On the 16th day of December, 19 80, before me personally came Richard B. Jamison to me known, who, being by me duly sworn, did depose and say that he resides at Texas Properties; that he is the Assistant Vice President of American Airlines, Inc. the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Kathleen A. Ashley
(notarial seal and stamp)
Commission Expires 7/21/84

STATE OF)
) ss.
COUNTY OF)

On the day of , 19 , before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at ; that he is the of the corporation described in, and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

AAJFK 072625

(notarial seal and stamp)

AYA-085

Port Authority Agreement No. AYA-937
(formerly Agreement No. L-CY-77)
Supplement No. 2

JFK-748

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, made as of September 30, 1979 by and among THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority") and AMERICAN AIRLINES, INC. (hereinafter called "the Airline"), and IDF SERVICES, INC., formerly International Duty Free, Ltd., (hereinafter called "the Operator"),

WITNESSETH, That:

WHEREAS, by an agreement of lease dated as of September 27, 1955 (said agreement of lease as the same has been or may be supplemented and amended being hereinafter called "the Airline Lease"), the Port Authority leased to the Airline certain premises at John F. Kennedy International Airport for the construction and operation thereon of a passenger terminal building (hereinafter called "the Terminal"), by the Airline; and

WHEREAS, under the Airline Lease it was contemplated that consumer service facilities would be operated in space provided by the Airline in the Terminal pursuant to an arrangement among the Port Authority, the Airline and a concessionaire; and

WHEREAS, the Port Authority, the Airline and the Operator entered into an agreement made as of December 21, 1971 and having a commencement date of March 2, 1972, covering the operation by the Operator of certain consumer service facilities in the Terminal (hereinafter called "the Agreement"); and

WHEREAS, the Port Authority, the Airline and the Operator desire to amend the Agreement in certain respects,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Port Authority, the Airline and the Operator hereby agree as follows:

1. In addition to the premises as shown on Exhibit A annexed to the Agreement, the subletting as to which shall continue in full force and effect subject to and in accordance with all the terms, provisions, covenants and conditions of the Agreement as herein amended, the Airline hereby sublets to the Operator and the Operator hereby hires and takes from the Airline in the Terminal

at John F. Kennedy International Airport, in the County of Queens, City and State of New York, the space denominated "Duty-Free Shop (217)" in the West Ticket Lobby of the Terminal shown on the sketch hereto attached, hereby made a part hereof and marked "Exhibit A-1", together with the fixtures, improvements and other property, if any, of the Airline located or to be located therein or thereon, the said space, fixtures, improvements and other property of the Airline (all of which is sometimes hereinafter in this Supplemental Agreement collectively referred to as "the Additional Premises") to be and become a part of the premises under the Agreement as hereby amended from and after 12:01 o'clock A.M. on October 1, 1979, (said date being sometimes hereinafter in this Agreement called "the Additional Commencement Date") sublet to the Operator, subject to and in accordance with all of the terms, provisions and covenants of the Agreement as herein amended for and during the remainder of the term of the subletting under the Agreement as herein amended, unless sooner terminated.

2. The Operator shall use the Additional Premises solely for the purposes set forth in Section 3 of the Agreement and for no other purpose or purposes whatsoever.

3. The Airline shall deliver the Additional Premises to the Operator in its presently existing "as is" condition. The Operator acknowledges that it has inspected the Additional Premises and has found it in good order and repair and has determined it to be suitable for its operations hereunder. The Operator agrees to and shall take the Additional Premises in its "as is" condition and neither the Airline nor the Port Authority shall have any obligation for finishing work or for preparation of the Additional Premises for the Operator's use. In the event the Operator desires to perform construction and installation work in the Additional Premises to prepare the Additional Premises for its occupancy and operations therein the work shall be performed at the Operator's sole cost and expense subject to all of the provisions of the Agreement, it being understood that the term of the subletting shall commence on the Additional Commencement Date set forth in paragraph 1 of this Supplemental Agreement whether or not the Operator is then conducting public operations in the Additional Premises on such date.

4. The Operator acknowledges that it has not relied upon any representation or statement of the Port Authority, or the Airline, or their respective Commissioners, Directors, officers, employees or agents as to the suitability of the Additional Premises for the operations permitted on the Additional Premises by the Agreement as herein amended. Without limiting any obligation

of the Operator to commence operations in the Additional Premises under the Agreement as herein amended at the time and in the manner stated elsewhere in this Agreement, the Operator agrees that no portion of the Additional Premises will be used initially or at any time during the term of the subletting thereof which is in a condition unsafe or improper for the conduct of the Operator's operations therein under the Agreement as herein amended so that there is possibility of injury or damage to life or property. For all purposes of the Agreement as herein amended the Additional Premises hereunder (notwithstanding any statement elsewhere in the Agreement as herein amended of any rule for the measurement of the area thereof) shall be deemed to include all of the enclosing partitions, and the adjacent exterior building walls and glass to and including the exterior surface thereof.

5. The Operator shall continue to pay the basic rental, basic fee and percentage rental set forth in the Agreement and all gross receipts of the Operator arising out of its operations in the Additional Premises shall be included in gross receipts under the Agreement and shall be subject to the percentage rental payment provided for therein.

6. The provisions of Section 14 and Item 3 of Exhibit B to the Lease shall apply to the Operator's operations in the Additional Premises and the Airline shall supply to the Operator in the Additional Premises the services and utilities described in the Agreement and the Operator shall pay for the same at the rates set forth therein.

7. If the Operator's gross receipts for the month of October, 1979 or its monthly gross receipts for any month thereafter occurring during the balance of the term of the subletting under the Agreement as herein amended do not exceed the Operator's gross receipts for the corresponding month in the period beginning October 1, 1978 and ending September 30, 1979, then, in such event upon sixty (60) days prior written notice given within thirty (30) days after the Operator shall have rendered its statement of gross receipts for such month the Airline and the Operator shall each have the right to terminate the subletting of the Additional Premises, provided, that any notice of termination given by the Operator in accordance with this paragraph shall not be effective if the Operator is in default in the performance or observance of any of the terms, covenants or conditions of the Agreement as herein amended or under notice of termination from the Airline either on the date of giving of the notice or on the effective date thereof.

Termination of the term of the subletting of the Additional Premises under the Agreement as herein amended pursuant to the provisions of this paragraph shall not relieve the Operator of any liabilities or obligations which shall have accrued on or prior to the effective date of termination or which shall mature on such date. In the event of termination pursuant to this paragraph the term of the subletting of the Additional Premises under the Agreement as herein amended shall cease and expire as if the effective date of termination stated in the notice were the date originally stated herein for the expiration of the term of the subletting of the Additional Premises under the Agreement as herein amended. Termination of the term of the subletting of the Additional Premises shall not affect the subletting of the balance of the premises under the Agreement and the Agreement and the subletting thereunder as to such portion of the premises shall continue in full force and effect notwithstanding such termination. The Airline shall not be obligated to reimburse the Operator for the Operator's cost of supplying and installing fixtures, equipment or constructing improvements in the Additional Premises in the event of termination pursuant to this paragraph but nothing herein shall affect the Airline's reimbursement obligation under Section 26 of the Agreement with respect to fixtures, equipment and improvements installed in or placed on the portion of the premises shown on Exhibit A annexed to the Agreement.

8. The Operator represents and warrants that no broker has been concerned in the negotiation of this Supplemental Agreement or the subletting hereunder and that there is no broker who is or may be entitled to be paid a commission in connection therewith. The Operator shall indemnify and save harmless the Port Authority and the Airline of and from any claims for commission and brokerage made by any and all persons, firms or corporations whatsoever for services in connection with the negotiation and execution of this Supplemental Agreement or the subletting hereunder.

9. As hereby amended all the terms, provisions, covenants and agreements of the Agreement shall be and remain in full force and effect.

10. No Commissioner of the Port Authority nor any director, officer, agent or employee of any party to this Supplemental Agreement shall be charged personally or held contractually liable under any term or provision of this Supplemental Agreement, or because of its execution or attempted execution, or because of any attempted or alleged breach thereof.

11. This Supplemental Agreement and the Agreement which it supplements constitutes the entire agreement between the Port Authority, the Airline, and the Operator on the subject matter thereof and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of the Port Authority, the Airline and the Operator. The Operator agrees that no representations or warranties shall be binding on the Port Authority or the Airline unless expressed in writing in the Agreement or in this Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority, the Airline, and the Operator have set their hands and seals as of the date first above written.

ATTEST:

SECRETARY

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

S.J. NOWINSKI

(Title) EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

AMERICAN AIRLINES, INC.

By _____

(Title) _____

(Corporate Seal)

ATTEST:

IDF SERVICES, INC.

By _____

(Title) President

(Corporate Seal)

APPROVED
FORM
TERMS

orm CSL: ACK. N.Y., Corp. & Corp.

TATE OF NEW YORK)
) ss.
OUNTY OF NEW YORK)

On the 26th day of January, 1982, before me personally
ame S.J. NOWINSKI to me known, who, being by me duly sworn,
id depose and say that he resides at BAYONNE, NEW JERSEY
; that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of
he Port Authority of New York and New Jersey, one of the corporations
escribed in and which executed the foregoing instrument; that he knows the
eal of the said corporation; that the seal affixed to the said instrument
s such corporate seal; that it was so affixed by order of the Board of
ommissioners of the said corporation; and that he signed his name thereto
y like order.

Anthony M. Cedrone
(notarial seal and stamp)
ANTHONY M. CEDRONE
Notary Public, State of New York
No. 30-4730669
Qualified in County of Nassau
Commission Expires March 30, 1982

TATE OF Texas)
) ss.
OUNTY OF Dallas)

On the 4th day of December, 1981, before me personally
ame Richard B. Jamison to me known, who, being by me duly sworn,
id depose and say that he resides at
; that he is the AV President Properties + Facilities of
merican Airlines, Inc. the corporation described
n, and which executed the foregoing instrument; that he knows the seal of
he said corporation; that the seal affixed to the said instrument is such
orporate seal; that it was so affixed by order of the Board of Directors
f the said corporation; and that he signed his name thereto by like order.

Kathleen A. Ackley
(notarial seal and stamp)
Commission Expires 7/21/84

TATE OF New York)
) ss.
OUNTY OF Queens)

AAJFK 072631

On the 8 day of October, 1981, before me personally
ame to me known, who, being by me duly sworn,
d depose and say that he resides at
; that he is the President of
OF Services, Inc. the corporation described
, and which executed the foregoing instrument; that he knows the seal of
e said corporation; that the seal affixed to the said instrument is such
rporate seal; that it was so affixed by order of the Board of Directors
the said corporation; and that he signed his name thereto by like order.

FRANCES Y. CAMPISE
NOTARY PUBLIC, State of New York
No. 01-CA-5590000
Qualified in Suffolk County
Commission Expires March 30, 1982

Frances Y. Campise
(notarial seal and stamp)

THE PORT AUTHORITY OF NY & NJ

One World Trade Center
New York, N.Y. 10048

Aviation Department
Caesar B. Pattarini, Director
(212) 466-7453
(201) 622-6600 x7453

Morris Sloane, Deputy Director
(212) 466-7455
(201) 622-6600 x7455

AYB-085

May 25, 1979

JFK-7HR

American Airlines, Inc.
633 Third Avenue
New York, New York 10017

ATTENTION: Vice President Properties

Re: Lease No. AYB-085

Gentlemen:

American and the Port Authority have entered a new agreement of lease, bearing Port Authority Lease No. AYB-085, covering facilities at John F. Kennedy International Airport and have executed a Surrender Agreement with regard to Lease AY-581. During the term of and pursuant to Lease AY-581, you submitted to the Port Authority the Alteration Applications listed on Rider 1 attached hereto covering construction at the premises under Lease AY-581 which is not covered by Section 2 of Lease AYB-085.

It is hereby expressly understood and agreed that all references in the said Alteration Applications will be deemed to refer to Lease AYB-085, and all work deemed to have been done under Lease AYB-085.

If the terms of this Letter Agreement are satisfactory to you, please indicate your approval and acceptance thereof by signing the enclosed copy in the left hand corner and returning the same to the Business Administration Division at John F. Kennedy International Airport.

Very truly yours,

THE PORT AUTHORITY OF NEW YORK
AND NEW JERSEY

By _____
Director of Aviation

We hereby consent, agree to and accept all the terms and conditions hereinabove set forth.

AMERICAN AIRLINES, INC.

By _____

Title Assistant Vice President Properties

APPROVED:
FORM | TRANS

AAJFK 072633

RIDER 1

Y-4528	New Ticket Lobby & Expand Outbound Baggage
4540	Boarding Pass Printers - Gates 1 to 15
4557	Temporary Canopy - Ramp Side
4559	Relocate Flight Operations Office to West Concourse
4562	Relocate Toilets - East End Lobby
4584	Secured Passage Corridor - Gate 14
4591	Flight Information Display Monitors (78)
4595	Install Loading Bridge - Gate 12
4648	Convert 2nd Floor Restaurant to Fast Food
4674	International Outbound Baggage Room
4697	Sand Storage Enclosure
4699	Expand Maintenance Shop
4707	Nine Borings for Deplaning Project (Y-4602)
4708	New Information Counter
4750	Major Roadway UTB Frontage Project
4798	Replacement of Concrete Pavement - Adjacent to UTB
4808	Skychefs Newsstands/Gift Shops
4809	Skychefs Money Room
4836	Relocation and Alterations to Flight Operations
4843	Proposed Skychefs Expansion
4904	Install 2 Exterior "Korean" Signs
4909	Installation of Interim Cocktail Lounge - Mezzanine
4918	New Curbside Conveyor
4928	Installation of Remote Bar
4978	Expansion of Korean Airlines VIP Lounge
5023	Renovation of Jet Pub Bar & Restaurant

AYB-085

THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

(JFK 4-1.1

Port Authority Lease No. AYB-085

AGREEMENT OF LEASE

THIS AGREEMENT OF LEASE, made as of the 1st day of August, 1976, by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter called "the Port Authority"), a body corporate and politic, established by Compact between the States of New Jersey and New York with the consent of the Congress of the United States of America, and having an office at One World Trade Center, in the Borough of Manhattan, City, County and State of New York, and AMERICAN AIRLINES, INC. (hereinafter called "the Lessee"), a corporation of the State of Delaware and having an office and place of business at 633 Third Avenue, New York, New York, whose representative is its Vice President Properties and Facilities,

WITNESSETH, That:

The Port Authority and the Lessee, for and in consideration of the rents, covenants and mutual agreements hereinafter contained, hereby covenant and agree as follows:

Section 1. Letting

(a) The Port Authority hereby lets to the Lessee and the Lessee hereby hires and takes from the Port Authority at John F. Kennedy International Airport (sometimes hereinafter referred to as "the Airport") in the Borough of Queens, City and State of New York, the land shown in diagonal hatching, stipple and stipple-crosshatching on the drawing attached hereto hereby made a part hereof and marked "Exhibit A", together with all buildings, improvements and structures, which were erected thereon by the Lessee under the Agreement of lease between the Lessee and the Port Authority made as of the eleventh day of April, 1956, and bearing Port Authority File No. AY-581, (which agreement of lease, as the same has been supplemented and amended, is sometimes hereinafter referred to as the "Surrendered Lease"), the aforesaid land, together with the fixtures, improvements and other property of the Port Authority, if any, located, therein, thereon or thereunder, and all structures, improvements, additions, buildings and facilities located, constructed or installed or to be located, constructed or installed therein, thereon or thereunder, being hereinafter collectively referred to as "the premises".

(b) Except to the extent required for the performance of any of the obligations of the Lessee hereunder nothing contained in this Agreement shall grant to the Lessee any rights whatsoever in the air space above the premises in excess of a slope, consisting of an unlimited number of straight lines between a point at an elevation of 153.93' at the center of the existing airport air traffic control tower (Building No. 155) and a line at an elevation of 16' located parallel to, above and 37.5' southeasterly of the existing taxiway I center line. The approximate elevation of the existing taxiway I surface is 12' and the portion of the existing taxiway I referred to herein adjoins the northwesterly edge of the premises. Elevations in this paragraph (b) are referenced to, and are above, mean sea level at Sandy Hook, New Jersey, as established by the United States Coast and Geodetic Survey.

AAJFK 072951

(c) The strip of land lying along and within the northwesterly (directions set forth in this paragraph (c) are true) boundary line of the premises (which strip is shown in stipple-crosshatching on Exhibit A), together with the corresponding contiguous strip of land lying along and within the southeasterly boundary of the space let to United Air Lines, Inc. and immediately abutting on the northwesterly side of the premises (which strip is shown in crosshatching on Exhibit A) shall be subject to a joint and mutual easement for a taxiway to be used jointly by the Lessee and United Air Lines, Inc. or by any successors in interest of either or both of them or other sublessees or other occupants or users who, pursuant to Port Authority permission, may occupy or use the premises herein or the space let to United Air Lines, Inc. and such rights of easement for such taxiway purposes shall continue during the effective periods of the respective agreements covering the same.

Section 2. Construction by the Lessee

(a) The Lessee hereby agrees to design and construct at its sole cost and expense on the premises such improvements, additions and alterations as are necessary to provide federal inspection facilities (hereinafter called "the Federal Inspection Facilities"), and such improvements, additions and alterations as are necessary to construct deplaning stairs and to expand the baggage claim area (hereinafter called "the Expanded Baggage Facilities"), all of the foregoing together with all necessary construction and relocation of paved areas, utility lines, pipes, mains, conduits and other improvements being hereinafter called "the construction work".

Prior to the commencement of the construction work, the Lessee shall submit to the Port Authority for the Port Authority's approval complete plans and specifications therefor. The Port Authority may refuse to grant approval, if, in its opinion, any of the proposed construction work as set forth in said plans and specifications (all of which shall be in such detail as may reasonably permit the Port Authority to make a determination as to whether the requirements hereinafter referred to are met) shall:

(i) Be unsafe, unsound, hazardous or improper for the use and occupancy for which it is designed, or

(ii) Not comply with the Port Authority's requirements for harmony of external architecture of similar existing or future improvements at the Airport, or

(iii) Not comply with the Port Authority's requirements with respect to external and interior building materials and finishes of similar existing or future improvements at the Airport, or

(iv) Not provide for sufficient clearances for taxiways, runways and apron areas, or

(v) Be designed for use for purposes other than those authorized under the Agreement, or

(vi) Set forth ground elevations or heights other than those prescribed by the Port Authority, or

(vii) Not provide adequate and proper roadways and pedestrian circulation areas, or

(viii) Not comply with the building height limitations in connection with sight lines requirements between the existing Control Tower and the public aircraft facilities at the Airport, or

(ix) Not comply with the provisions of the Basic Lease, including without limiting the generality thereof, the provisions of Section 21 of the Basic Lease providing that the Port Authority will conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, or

(x) Will permit aircraft to overhang the boundary of the premises, except when entering or leaving the premises, or

(xi) Be in violation or contravention of any other provisions and terms of this Agreement, or

(xii) Not comply with all applicable governmental laws, ordinances, enactments, resolutions, rules and orders, or

(xiii) Not comply with all applicable requirements of the Insurance Services Office of New York, or

(xiv) Not comply with the Port Authority's requirements with respect to landscaping, or

(xv) Not comply with Port Authority's requirements and standards with respect to noise, air pollution, water pollution or other types of pollution.

(b) All construction work shall be done in accordance with the following terms and conditions:

(1) The Lessee hereby assumes the risk of loss or damage to all of the construction work prior to the completion thereof and the risk of loss or damage to all property of the Port Authority arising out of or in connection with the performance of the construction work. In the event of such loss or damage, the Lessee shall forthwith repair, replace and make good the construction work and the property of the Port Authority without cost

or expense to the Port Authority. The Lessee shall itself and shall also require its contractors to indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against all claims and demands, just or unjust, of third persons (including employees, officers, and agents of the Port Authority) arising or alleged to arise out of the performance of the construction work and for all expenses incurred by it and by them in the defense, settlement or satisfaction thereof, including without limitation thereto, claims and demands for death, for personal injury or for property damage, direct or consequential, whether they arise from the acts or omissions of the Lessee, of any contractors of the Lessee, of the Port Authority, or of third persons, or from acts of God or of the public enemy, or otherwise, excepting only claims and demands which result solely from affirmative wilful acts done by the Port Authority, its Commissioners, officers, agents and employees with respect to the construction work.

(2) Prior to engaging or retaining an architect or architects for the construction work, the name or names of said architect or architects shall be submitted to the Port Authority for its approval. The Port Authority shall have the right to disapprove any architect who may be unacceptable to it. All construction work shall be done in accordance with plans and specifications to be submitted to and approved by the Port Authority prior to the commencement of the construction work, and until such approval has been obtained the Lessee shall continue to resubmit plans and specifications as required. Upon approval of such plans and specifications by the Port Authority, the Lessee shall proceed diligently at its sole cost and expense to perform the construction work. All construction work, including workmanship and materials, shall be of first class quality. The Lessee shall re-do, replace or construct at its own cost and expense, any construction work not done in accordance with the approved plans and specifications, the provisions of this Section 2 or any further requirements of the Port Authority. The Lessee shall commence the construction work no later than April 31, 1981.

(3) Prior to entering into a contract for any part of the construction work, the Lessee shall submit to the Port Authority for its approval the names of the contractors to whom the Lessee proposes to award said contracts. The Port Authority shall have the right to disapprove any contractor who may be unacceptable to it. The Lessee shall include in all such contracts such provisions and conditions as may be reasonably required by the Port Authority. Without limiting the generality of the foregoing all of the Lessee's construction contracts shall provide as follows: "If (i) the Contractor fails to perform any of his obligations under the Contract, including his obligation to the Lessee to pay any claims lawfully made against him by any materialman, subcontractor or workman or other third person which arises out of or in connection with the performance of the Contract or (ii) any claim (just or unjust) which arises out of or in connection with the Contract is made against the Lessee

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or (iii) any subcontractor under the Contract fails to pay any claims lawfully made against him by any materialman, subcontractor, workman or other third persons which arise out of or in connection with the Contract or if in the Lessee's opinion any of the aforesaid contingencies is likely to arise, then the Lessee shall have the right, in its discretion, to withhold out of any payment (final or otherwise and even though such payments have already been certified as due) such sums as the Lessee may deem ample to protect it against delay or loss or to assume the payment of just claims of third persons, and to apply such sums in such manner as the Lessee may deem proper to secure such protection or satisfy such claims. All sums so applied shall be deducted from the Contractor's compensation. Omission by the Lessee to withhold out of any payment, final or otherwise, a sum for any of the above contingencies, even though such contingency has occurred at the time of such payment, shall not be deemed to indicate that the Lessee does not intend to exercise its right with respect to such contingency. Neither the above provisions for rights of the Lessee to withhold and apply monies nor any exercise, or attempted exercise of, or omission to exercise such rights by the Lessee shall create any obligation of any kind to such materialmen, subcontractors, workmen or other third persons. Until actual payment is made to the Contractor, his right to any amount to be paid under the Contract (even though such amount has already been certified as due) shall be subordinate to the rights of the Lessee under this provision."

The Lessee shall file with the Port Authority a copy of its contracts with its contractors prior to start of the construction work.

(4) The Lessee shall furnish or require its architect to furnish a full time resident engineer during the construction period. The Lessee shall require certification by a licensed engineer of all pile driving data and of all controlled concrete work and such other certifications as may be requested by the Port Authority from time to time.

(5) The Lessee agrees to be solely responsible for any plans and specifications used by it and for any loss or damages resulting from the use thereof, notwithstanding the same have been approved by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements. Notwithstanding the requirement for approval by the Port Authority of the contracts to be entered into by the Lessee or the incorporation therein of Port Authority requirements or recommendations, and notwithstanding any rights the Port Authority may have reserved to itself hereunder, the Port Authority shall have no liabilities or obligations of any kind to any contractors engaged by the Lessee or for any other matter in connection therewith and the Lessee hereby releases and discharges the Port Authority, its Commissioners, officers, representatives and employees of and from any and all liability, claims for damages or

losses of any kind, whether legal or equitable, or from any action or cause of action arising or alleged to arise out of the performance of any construction work pursuant to the contracts between the Lessee and its contractors. Any warranties contained in any construction contract entered into by the Lessee for the performance of the construction work hereunder shall be for the benefit of the Port Authority as well as the Lessee.

(6) The Port Authority shall have the right, through its duly designated representatives, to inspect the construction work and the plans and specifications thereof, at any and all reasonable times during the progress thereof and from time to time, in its discretion, to take samples and perform testing in any part of the construction work.

(7) The Lessee agrees that it shall deliver to the Port Authority two (2) sets of "as built" microfilm drawings of the construction work mounted on aperture cards, all of which shall conform to the specifications of the Port Authority (the receipt of a copy of said specifications prior to the execution of this Lease being hereby acknowledged by the Lessee), and the Lessee shall during the term of this Lease keep said drawings current showing thereon any changes or modifications which may be made. (No changes or modifications shall be made without prior Port Authority consent.)

(8) The Lessee shall, if requested by the Port Authority, take all reasonable measures to prevent erosion of the soil and the blowing of sand during the performance of the construction work, including but not limited to the fencing of the premises or portions thereof or other areas and the covering of open areas with asphaltic emulsion or similar materials as the Port Authority may direct.

(9) Title to any soil, dirt, sand or other matter (hereinafter in this subparagraph (9) collectively called "the matter") excavated by the Lessee during the course of the construction work shall vest in the Port Authority and the matter shall be delivered by the Lessee at its expense to any location on the Airport as may be designated by the Port Authority. The entire proceeds, if any, of the sale or other disposition of the matter shall belong to the Port Authority. Notwithstanding the foregoing the Port Authority may elect by prior written notice to the Lessee to waive title to all or portions of the matter in which event the Lessee at its expense shall dispose of the same without further instruction from the Port Authority.

(10) The Lessee shall pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third persons arising out of or in connection with or because of the performance of the construction work, and shall cause its contractors and subcontractors to pay all such claims lawfully made against them, provided, however. that nothing herein contained shall be construed to limit the right of the Lessee to contest any claim of a contractor, subcontractor, materialman, workman and/or other person and no such claim shall be considered to be an obligation of the Lessee within the meaning of this Section unless and until the same shall have been finally adjudicated. The Lessee shall use its best efforts to resolve any such claims and shall keep the Port Authority fully informed of its actions with respect thereto.

(11) The Lessee shall procure and maintain comprehensive general liability insurance, including automotive, with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to subparagraphs (1) and (5) of this paragraph (b) which shall be in addition to all policies of insurance otherwise required by this Agreement or the Lessee may provide such insurance by requiring each contractor engaged by it for the construction work to procure and maintain such insurance including such contractual liability endorsement, said insurance not to contain any care, custody or control exclusions, and not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors which would conflict with or in any way impair coverage under the contractual liability endorsement. Said insurance shall be in not less than the following amounts:

(i) Bodily Injury Liability:

For injury to or wrongful death to one person	$3,000,00
For injury or wrongful death to more than one person for any one occurrence	$3,000,000
Aggregate Products Liability	$3,000,000

(ii) Property Damage Liability:

For all damage arising out of injury to or destruction of property in any one occurrence	$3,000,000
Aggregate Property	$3,000,000

The insurance required hereunder shall be maintained in effect during the performance of the construction work and shall be in compliance with and subject to the provisions of paragraph (c) of Section 13 hereof.

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(12) The Lessee shall be under no obligation to reimburse the Port Authority for expenses incurred by the Port Authority in connection with its normal review and approval of the original plans and specifications submitted by the Lessee pursuant to this Section. The Lessee however agrees to pay to the Port Authority upon its demand the expenses incurred by the Port Authority in connection with any additional review for approval of any changes, modifications or revisions of the original plans and specifications which may be proposed by the Lessee for the Port Authority's approval. The expenses of the Port Authority for any such additional review and approval shall be computed on the basis of direct payroll time expended in connection therewith plus 100%. Wherever in this Lease reference is made to "direct payroll time", costs computed thereunder shall include a prorata share of the cost to the Port Authority of providing employee benefits, including, but not limited to, pensions, hospitalization, medical and life insurance, vacations and holidays. Such computations shall be in accordance with the Port Authority's accounting principles as consistently applied prior to the execution of this Lease.

(13) The Lessee shall prior to the commencement of construction and at all times during construction submit to the Port Authority all engineering studies with respect to construction and samples of construction materials as may be required at any time and from time to time by the Port Authority.

(14) The Lessee shall procure and maintain Builder's Risk Completed Value Insurance covering the construction work during the performance thereof including material delivered to the premises but not attached to the realty. Such insurance shall name the Port Authority, the City of New York, the Lessee and its contractors and subcontractors as additional assureds and such policy shall provide that the loss shall be adjusted with and payable to the Lessee. Such proceeds shall be used by the Lessee for the repair, replacement or rebuilding of the construction work and any excess shall be paid over to the Port Authority. The insurance required hereunder shall be in compliance with and subject to the fourth and sixth paragraphs of Section 11 hereof.

(15) The Lessee shall submit to the Port Authority its forecasts of the number of people who will be working at various times during the term of the Lease at the premises, the expected utility demands, noise profiles and such other information as the Port Authority may require. The Lessee shall continue to submit its latest forecasts and such other information as may be required as aforesaid as the Port Authority shall from time to time and at any time request.

(16) The Lessee has executed and submitted for the Port Authority's approval Construction Applications Y-4380, Y-4423, Y-4476 and Y-4602 covering the construction work. The Lessee shall comply with all the terms and provisions of the Construction Applications as the same may have been or may be approved by the Port Authority. In the event of any inconsistency between the terms of any Construction Applications and the terms of this Lease, the terms of this Lease shall prevail and control.

(17) Nothing contained in this Lease shall grant or be deemed to grant any contractor, architect, supplier, subcontractor or any other person engaged by the Lessee or any of its contractors in the performance of any part of the construction work any right of action or claim against the Port Authority, its Commissioners, officers, agents and employees with respect to any work any of them may do in connection with the construction work. Nothing contained herein shall create or be deemed to create any relationship between the Port Authority and any such contractor, architect, supplier, subcontractor or any other person engaged by the Lessee or any of its contractors in the performance of any part of the construction work and the Port Authority shall not be responsible to any of the foregoing for any payments due or alleged to be due thereto for any work performed or materials purchased in connection with the construction work.

(c) It is understood and agreed that the Federal Inspection Facilities and the Expanded Baggage Facilities, need not be constructed concurrently. Accordingly, the required approval by the Port Authority of the Lessee's plans and specifications under paragraph (a) hereof may be given separately as to the Federal Inspection Facilities and the Expanded Baggage Facilities. The Lessee may wish to commence construction of a portion of the Federal Inspection Facilities or a portion of the Expanded Baggage Facilities prior to the approval by the Port Authority of its complete plans and specifications for the same as required in this Section 2 and if the Lessee does it shall submit a written request to the Port Authority setting forth the work it proposes to then do. The Port Authority shall have full and complete discretion as to whether or not to permit the Lessee to proceed with said work. If the Port Authority has no objection to the Lessee's proceeding with the work, it shall do so by writing a letter to the Lessee to such effect. If the Lessee performs the work covered by said letter, it agrees all such work shall be performed subject to and in accordance with all of the provisions of the approval letter and subject to and in accordance with the following terms and conditions:

(1) The performance by the Lessee of the work covered by any request as aforesaid will be at its sole risk and if for any reason the plans and specifications for the Federal Inspection Facilities or the Expanded Baggage Facilities of which the work is a part are not approved by the Port Authority of if the approval thereof calls for modifications or changes in the work undertaken by the Lessee under any approval granted by the Port Authority pursuant to this paragraph (c), the Lessee will, as directed by the Port Authority, at its sole cost and expense, either restore the area affected to the condition existing prior to the commencement of any such work or make such modifications and changes in any such work as may be required by the Port Authority.

(2) Nothing contained in any approval hereunder shall constitute a determination or indication by the Port Authority that the Lessee has complied with the applicable governmental laws, ordinances, enactments, resolutions, rules and orders, including but not limited to those of the City of New York, which may pertain to the work to be performed.

(3) The approved work will be performed in accordance with and subject to the terms, indemnities and provisions of the Lease covering the construction work and with the terms and conditions of any Construction Application which the Port Authority may request the Lessee to submit even though such Construction Application may not have, at the time of the approval under this paragraph (c), been approved by the Port Authority.

(4) No work under any such approval shall affect or limit the obligations of the Lessee under all prior approvals with respect to its construction of the construction work.

(5) The Lessee shall comply with all requirements, stipulations and provisions as may be set forth in the letter of approval.

(6) In the event that the Lessee shall at any time during the construction of any portion of the construction work under the approval granted by the Port Authority pursuant to this paragraph (c) fail, in the opinion of the Resident Engineer of the Port Authority at the Airport, to comply with all of the provisions of this Lease with respect to the construction work, the Construction Application or the approval letter covering the same or be, in the opinion of the said Resident Engineer, in breach of any of the provisions of this Lease, the Construction Application or the approval letter covering the same, the Port Authority shall have the right, acting through said Resident Engineer, to cause the Lessee to cease all or such part of the construction work as is being performed in violation of this Lease, the Construction Application or the approval letter. Upon such written direction from the Resident Engineer, the Lessee shall promptly cease construction of the portion of the construction work specified. The Lessee shall thereupon submit to the Port Authority for its written approval the Lessee's proposal for making modifications, corrections or changes in or to the construction work that has been or is to be performed so that the same will comply with the provisions of this Lease, the Construction Application and the approval letter covering the construction work. The Lessee shall not commence construction of the portion of the construction work that has been halted until such written approval has been received.

(7) It is hereby expressly understood and agreed that the Resident Engineer mentioned in subparagraph (6) above does not have any authority to approve any plans and specifications of the Lessee with respect to the construction work, to approve the construction by the Lessee of any portion of the construction work or to agree to any variation by the Lessee from compliance with the terms of this Lease, or the Construction Application or the approval letter with respect to the construction work. Notwithstanding the foregoing, should the Resident Engineer give any directions or approvals with respect to the Lessee's performance of any portion of the construction work which are contrary to the provisions of this Lease, the Construction Application or the approval letter, said directions or approvals shall not affect the obligations of the Lessee as set forth herein nor release or relieve the Lessee from strict compliance therewith. It is hereby further understood and agreed that the Port Authority has no duty or obligation of any kind whatsoever to inspect or police the performance of the construction work by the Lessee and the rights granted to the Port Authority hereunder shall not create or be deemed to create such a duty or obligation. Accordingly, the fact that the Resident Engineer has not exercised the Port Authority's right to require the Lessee to cease its construction of all or any part of the construction work shall not be or be deemed to be an agreement or acknowledgment on the part of the Port Authority that the Lessee has in fact

performed such portion of the construction work in accordance with the terms of the Lease, the Construction Application or the approval letter nor shall such fact be or be deemed to be a waiver by the Port Authority from the requirement of strict compliance by the Lessee with the provisions of the Lease, the Construction Application and the approval letter with respect to the construction work.

(8) No prior approval of any work in connection with the Federal Inspection Facilities or the Expanded Baggage Facilies shall create or be deemed to create any obligation on the part of the Port Authority to permit subsequent work to be performed in connection therewith prior to the approval by the Port Authority of the Lessee's complete plans and specifications therefor.

(9) Without limiting the discretion of the Port Authority hereunder, the Port Authority hereby specifically advises the Lessee that even if the Port Authority hereafter in the exercise of its discretion wishes to grant approvals under this paragraph (c), it may be unable to do so, so as to permit the Lessee to continue work without interruption following its completion of the work covered by any prior approval hereunder. The Lessee hereby acknowledges that if it commences work pursuant to this paragraph (c), it shall do so with full knowledge that there may not be continuity by it in the performance of its construction work under the procedures of this paragraph (c).

(d) (1) The construction work shall be constructed in such a manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the premises by the Lessee and from the operations of the Lessee under this Agreement. Accordingly, and in addition to all other obligations imposed on the Lessee under this Agreement and without diminishing, limiting, modifying or affecting any of the same, the Lessee shall be obligated to construct as part of the construction work hereunder such structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the foregoing and each of the foregoing shall be and become a part of the construction work hereunder.

(2) Notwithstanding the provisions of subparagraph (1) above and in addition thereto, the Port Authority hereby reserves the right from time to time and at any time during the term of the Lease to require the Lessee, subsequent to the completion of the construction work to design and construct at its sole cost and expense such further reasonable structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the objectives as set forth in the first sentence of subparagraph (1) hereof. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same. All other provisions of this Section 2 with respect to the construction work shall apply and pertain with like effect to any work which the Lessee is obligated to perform pursuant to this paragraph (d) and upon completion of each portion of such work it shall be and become a part of the premises. The obligations assumed by the Lessee under this paragraph (d) are a special inducement and consideration to the Port Authority in granting this Lease to the Lessee.

(e) Prior to the execution of this Lease, the Port Authority and the Lessee have entered into a series of letter agreements dated October 31, 1975, December 17, 1975, March 8, 1976 and March 31, 1977 pursuant to which the Lessee commenced the performance of certain work as described therein, all of which work is a part of the construction work. It is understood and agreed that all of the provisions of this Lease shall supersede and take the place of said letter agreements with respect to the work performed thereunder, except that all requirements of the Port Authority given in connection with or as set forth in said letter agreements or as Riders or Exhibits thereto shall continue in full force and effect. It is hereby agreed that the Lessee shall be deemed to have performed all of the said work pursuant to the procedures and provisions of paragraph (c) hereof.

(f) In connection with item (viii) of paragraph (b) hereof relating to sight lines, the Lessee thereby specifically acknowledges its awareness of the letter agreement dated April 11, 1968 from the Port Authority and concurred in by the Lessee on May 7, 1968. This letter stated in connection with the sight line problems that an automated electronic taxiway guidance and control system would be required and that the elevation or relocation of the Control Tower may also be required. Notwithstanding the approval by the Port Authority of the design and plans and specifications for the construction work, the construction of the same by the Lessee shall not affect or waive the provisions of the aforesaid letter agreement which shall remain in full force and effect.

(g) Title to all the construction work shall pass to the City of New York as the same or any part thereof is erected, constructed or installed and the same shall be and become a part of the premises hereunder.

(h) (1) When the Federal Inspection Facilities is substantially completed and ready for use and when the Expanded Baggage Facilities is substantially completed and ready for use, the Lessee shall advise the Port Authority to such effect and shall deliver to the Port Authority a certificate by an authorized officer of the Lessee certifying that such part of the construction work has been constructed strictly in accordance with the approved plans and specifications and the provisions of this Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter such part of the construction work will be inspected by the Port Authority and if the same has been completed as certified by the Lessee, a certificate to such effect shall be delivered to the Lessee, subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee. The Lessee shall not use or permit the use of the Federal Inspection Facilities or the Expanded Baggage Facilities for the purposes set forth in the Lease until such certificate is received from the Port Authority.

(2) In addition and without affecting the obligations of the Lessee under the preceding subparagraph, when an integral and material portion of the Federal Inspection Facilities or the Expanded Baggage Facilities is substantially completed or is properly usable the Lessee may advise the Port Authority to such effect and may deliver to the Port Authority a certificate by an authorized officer of the Lessee certifying that such portion of the construction work has been constructed strictly in accordance with the approved plans and specifications and the provisions of this Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders, and specifying that such portion of the construction work can be properly used even though the Federal Inspection Facilities or the Expanded Baggage Facilities has not been completed and that the Lessee desires such use. The Port Authority may in its sole discretion deliver a certificate to the Lessee with respect to each such portion of the Federal Inspection Facilities or the Expanded Baggage Facilities permitting the Lessee to use such portion thereof for the purposes set forth in the Lease. In such event the Lessee may use such portion subject to the condition that all risks thereafter with respect to the construction and installation of the same and any liability therefor for negligence or other reason shall be borne by the Lessee, and subject to the risks as set forth in paragraph (c) hereof in the event that the Port Authority shall not have then approved the complete plans and specifications for the Federal Inspection Facilities or the Expanded Baggage Facilities as applicable. Moreover, at any time prior to the issuance of the certificate required in subparagraph (1) above for the Federal Inspection Facilities or the Expanded Baggage Facilities, the Lessee shall promptly upon receipt of a written notice from the Port Authority cease its use of such portion of the construction work which it had been using pursuant to permission granted in this subparagraph (2).

(3) The Completion Date for the purposes of this Lease shall mean the date appearing on the certificate issued by the Port Authority for the Federal Inspection Facilities pursuant to subparagraph (1) hereof.

(i) The Lessee acknowledges that it is its intention to use the premises for the purposes set forth in Section 5 hereof during the performance by the Lessee of the construction work and that it recognizes and is aware of the fact that such use of the premises during the period of the construction work may involve increased risks and hazards and the Lessee hereby expressly assumes all risks and hazards arising out of such use and hereby expressly releases the Port Authority therefrom.

Section 3. Term

(a) The term of the letting under this Agreement shall commence on August 1, 1976.

(b) Unless sooner terminated, the term of the letting under this Agreement shall expire on the last day of the month during which the twenty-fifth (25th) anniversary of the Completion Date as defined in Section 2(h)(3) hereof occurs, or on December 31, 2002, whichever is earlier.

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Section 4. Rental

The Lessee agrees to pay to the Port Authority the following rentals:

(a) Ground Rentals

(1) A rental (hereinafter called "the initial ground rental") at the rate of per annum for the portion of the term of the letting from August 1, 1976 to June 14, 1984. (Ex. 2.a.)

(2) A rental (hereinafter called "the subsequent ground rental") at the rate of per annum for the portion of the term of the letting from June 15, 1984 to July 24, 1995.

(3) A rental (hereinafter called "the final ground rental") at the rate of per annum commencing on July 25, 1995 and continuing throughout the remainder of the term of the letting under the Lease.

(b) Facility Rentals

(1) A rental (hereinafter called "the initial facility rental") at the rate of per annum for the portion of the term of the letting under the Lease from August 1, 1976 to February 29, 1980.

(2) A rental (hereinafter called "the subsequent facility rental") at the rate of per annum for the portion of the term of the letting from June 15, 1984 to July 24, 1995.

(3) A rental (hereinafter called "the final facility rental") at the rate of per annum commencing on July 25, 1995 and continuing throughout the remainder of the term of the letting under the Lease.

(c) Time of Payments

The Lessee shall pay the initial ground rental and the initial facility rental, in advance, in equal monthly installments, commencing on August 1, 1976 and on the first day of each and every month thereafter, up to and including June, 1984 as to the initial ground rental, and February, 1980 as to the initial facility rental. The Lessee shall pay the subsequent ground rental and the subsequent facility rental in advance in equal monthly installments commencing on June 15, 1984 and on the first day of each and every month thereafter up to and including July, 1995. The Lessee shall pay the final ground rental and the final facility rental, in advance, in equal monthly installments commencing on July 25, 1995 and on the first day of each and every month thereafter until the expiration of the term of the letting under the Lease. If any installment of rental payable hereunder shall be for less than a full calendar month, then the rental payment for the portion of the month for which said payment is due shall be the monthly installment prorated on a daily basis using the actual number of days in the said month.

(d) Abatement

(1) In the event that the Lessee shall at any time by the provisions of this Agreement become entitled to an abatement of the ground rentals, said abatement shall be computed as follows (it being understood that there shall be no abatement of rentals under the Lease for any portion of the premises or for any portion of the term except as specifically provided herein):

(i) During the portion of the term when the initial ground rental is in effect, for each square foot of the 4.457 acres of ground space as shown in crosshatching and stipple-diagonal hatching on Exhibit B the use of which is denied to the Lessee, at the annual rate of

(Ex. 2.a.)

and for each square foot of the 24.898 acres of the balance of the ground space the use of which is denied to the Lessee, at the annual rate of

(ii) During the portion of the term when the subsequent ground rental is in effect, for each square foot of the ground space as shown in diagonal hatching, stipple and stipple-crosshatching on Exhibit A the use of which is denied to the Lessee, at the annual rate of

(iii) During the portion of the term when the final ground rental is in effect, for each square foot of the ground space as shown in diagonal hatching, stipple and stipple-crosshatching on Exhibit A the use of which is denied to the Lessee, at the annual rate of

(2) In the event that the Lessee shall at any time by the provisions of this Agreement become entitled to an abatement of the facility rentals, said abatement shall be computed as follows (it being understood that there shall be no abatement of rentals under the Lease for any portion of the premises or for any portion of the term except as specifically provided herein):

(i) During the portion of the term when the subsequent facility rental is in effect, for each square foot of the 160,000 square feet of interior space as shown in stipple on Exhibit B the use of which is denied to the Lessee, at the annual rate of

(ii) During the portion of the term when the final facility rental is in effect, for each square foot of the 250,000 square feet of interior space as shown in stipple and in diagonal hatching and in stipple-diagonal hatching on Exhibit B the use of which is denied to the Lessee, at the annual rate of

For the purposes of this subparagraph (d)(2), all of the interior space shall be measured and the same shall be ascertained by measuring between the interior plaster surfaces of the exterior building walls, and no deductions will be made therefrom for columns, pilasters, projections, partitions, toilets, vertical

shafts, elevator shafts, stairs, fire towers, vents, pipe shafts, meter closets, flues, stacks, structures or facilities of any kind or anything else located therein.

(e) Notwithstanding any other provision of this Agreement, the initial facility rental shall not be subject to abatement, suspension or reduction for any cause or reason whatsoever and the Lessee shall continue to pay said rental as provided in this Agreement up to the expiration thereof.

Section 5. Use of Premises

The Lessee, in connection with its business of transportation by aircraft, may use the premises for the following purposes and for activities reasonably required for such purposes and for such purposes and activities only:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of the Lessee at the Airport. The occasional reservation of space and the sale of tickets for transportation by other carriers shall not be deemed to be prohibited by this provision.

(3) For the clearance, checking and rendering of service to passengers of the Lessee and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests, or invitees, subject to the provisions of Section 51 hereof.

(5) For the handling of baggage of passengers of the Lessee including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles.

(7) For the conduct of operations, traffic, communications, reservations and administrative office functions and activities in connection with air transportation performed by the Lessee.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee.

(9) For the storage of repair parts, supplies and other personal property owned or leased by the Lessee and for the performance of minor repairs to personal property of the Lessee.

(10) For the storage of such automotive fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over-the-counter sales to officers and employees of the Lessee or of any subsidiary of the Lessee and their families and to occasional business guests of such officers and employees (other than passengers of the Lessee), of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee and either directly by the Lessee or through a subsidiary thereof or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of Lessee during layovers between flights and for the establishment of lounges for employees of the Lessee.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies.

(14) For the parking and storage of aircraft and ramp equipment operated by the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by the Lessee and for the maintenance of ramp equipment operated by the Lessee.

(16) For the performance of aircraft maintenance, subject to the limitations imposed by Section 9(j) hereof.

(17) For the training of personnel employed or to be employed by the Lessee or other persons engaged in commercial transportation by aircraft, provided, that unless consented to by the Port Authority, the Lessee shall not engage in the training of persons employed by others or to be employed by others if the training of such persons is in competition with any concessionaire, permittee or licensee of the Port Authority at the Airport (other than another person engaged in the business of transportation by aircraft).

(18) For the temporary storage of baggage, mail and air cargo.

(19) For federal inspection services by federal agencies (if the United States Government makes the same available to the Lessee).

(20) For any other purpose or activity, in addition to those specified in this Section 5, for which the premises are expressly authorized to be used by any other provision of this Agreement.

The loading or unloading on the premises of all aircraft used principally for cargo is expressly prohibited.

Section 6. Compliance with Governmental Requirements

(a) The Lessee shall comply with all laws and ordinances and governmental rules, regulations and orders now or at any time during the term of this Lease which as a matter of law are applicable to or which affect the provisions of the Lessee at the premises hereunder, and the Lessee shall, in accordance with and subject to the provisions of Section 33 hereof, make any and all structural and non-structural improvements, alterations or repairs of the premises that may be required at any time hereafter by any such present or future law, rule, regulation, requirement, order or direction.

(b) The Lessee shall procure from all governmental authorities having jurisdiction over the operations of the Lessee hereunder all licenses, certificates, permits or other authorization which may be necessary for the conduct of such operations. "Governmental authority" shall not be construed as intending to include The Port Authority of New York and New Jersey, the Lessor under this Agreement.

(c) The obligation of the Lessee to comply with governmental requirements is provided herein for the purpose of assuring proper safeguards for the protection of persons and property on the premises. Such provision is not to be construed as a submission by the Port Authority to the application to itself of such requirements or any of them.

(d) Since the Port Authority has agreed in the Basic Lease to conform to the enactments, ordinances, resolutions and regulations of the City of New York and its various departments, boards and bureaus in regard to the construction and maintenance of buildings and structures and in regard to health and fire protection which would be applicable if the Port Authority were a private corporation to the extent that the Port Authority finds it practicable so to do, the Lessee shall comply with all such enactments, ordinances, resolutions and regulations which would be applicable to its operations hereunder if the Port Authority were a private corporation, except in cases where the Port Authority either notifies the Lessee that it need not comply with or directs it not to comply with any such enactments, ordinances, resolutions or regulations which are applicable only because of the Port Authority's agreement in the Basic Lease. The Lessee shall, for the Port Authority's information, deliver to the Port Authority promptly after receipt of any notice, warning, summons, or other legal process for the enforcement of any such enactment, ordinance, resolution or regulation a true copy of the same. Any direction by the Port Authority to the Lessee not to comply with any such enactment, ordinance, resolution or regulation shall be given only pursuant to a resolution duly adopted by the Board of Commissioners of the Port Authority or by an authorized committee of its Board and if any such direction is given by the Port Authority to the Lessee, the Port Authority, to the extent that it may lawfully do so, shall indemnify and hold the Lessee harmless from and against all claims, actions, damages, liabilities, fines, penalties, costs and expenses suffered or incurred by the Lessee as a result of non-compliance with such enactment, ordinance, resolution or regulation.

(e) The Lessee shall have such time within which to comply with the aforesaid laws, ordinances, rules and regulations as the authorities enforcing the same shall allow.

Section 7. Rules and Regulations

(a) The Lessee covenants and agrees to observe and obey (and to require its officers, employees, guests, invitees and those doing business with it to observe and obey) the existing Rules and Regulations of the Port Authority, and such reasonable future Rules and Regulations of the Port Authority (including amendments and supplements thereto) for the government of the conduct and operations of the Lessee and others on the premises as may from time to time during the letting be promulgated by the Port Authority for reasons of safety, health, sanitation or good order. The obligation of the Lessee to require such observance and obedience on the part of its guests, invitees and business visitors shall obtain only while such persons are on the premises. The Port Authority agrees that except in cases of emergency, it will give notice to the Lessee of every such future rule or regulation adopted by it at least ten (10) days before the Lessee shall be required to comply therewith.

Nothing contained in this Section 7 shall authorize the Port Authority to promulgate rules or regulations or impose any conditions upon the Lessee which conflict with the safeguards granted to the Lessee pursuant to the provisions of Section 12.04 of the General Airport Agreement as defined in Section 42 hereof. The provisions of the preceding sentence shall apply and obtain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

(b) If a copy of the Rules and Regulations is not attached, then the Port Authority will notify the Lessee thereof either by delivery of a copy, or by making a copy available at the office of the Secretary of the Port Authority.

Section 8. Various Obligations of the Lessee

(a) The Lessee shall conduct its operations hereunder in an orderly and proper manner, so as not to unreasonably annoy, disturb or be offensive to others at or off the Airport. The Lessee shall take all reasonable measures to eliminate vibrations originating on the premises tending to damage any equipment, structure, building or portion of a building which is on the premises, or is a part thereof, or is located elsewhere on or off the Airport.

(b) The Lessee shall use its best efforts to conduct all its operations at the premises in a safe and careful manner, following in all respects the best practices of the air transportation industry in the United States.

(c) The Port Authority shall have the right to object to the Lessee regarding the conduct and demeanor of the employees of the Lessee whereupon the Lessee will take all steps reasonably necessary to remove the cause of the objection. If requested by the Port Authority the Lessee shall supply and shall require its employees to wear or carry badges or other suitable means of identification, which shall be subject to the prior and continuing approval of the General Manager of the Airport.

(d) The Lessee shall control all vehicular traffic on the roadways or other areas within the premises and shall take all precautions reasonably necessary to promote the safety of its passengers and all other persons on the premises. The Lessee shall employ such means as may be necessary to direct the movement of vehicular traffic within the premises to prevent traffic congestion on the public roadways leading to the premises.

(e) The Lessee shall remove from the Airport or otherwise dispose of in a manner approved by the General Manager of the Airport all garbage, debris and other waste materials (whether solid or liquid) arising out of its occupancy of the premises or out of its operations. Any such which may be temporarily stored in the open, shall be kept in suitable garbage and waste receptacles, the same to be made of metal or other suitable material, and equipped with tightfitting covers, and to be of a design safely and properly to contain whatever material may be placed therein. The Lessee shall use extreme care when effecting removal of all such waste materials, and shall effect such removal at such times and by such means as first approved by the Port Authority. No such garbage, debris or other waste materials shall be or be permitted to be thrown, discharged or deposited into or upon the waters at or bounding the Airport.

(f) From time to time and as often as reasonably required by the Port Authority, the Lessee shall conduct pressure, water-flow, and other appropriate tests of the fire-extinguishing system and apparatus which constitute a part of the premises. The Lessee shall keep in proper functioning order all fire-fighting equipment on the premises and the Lessee shall at all times maintain on the premises adequate stocks of fresh, usable chemicals for use in such system and apparatus. The Lessee shall notify the Port Authority prior to conducting such tests. If requested by the Port Authority, the Lessee shall furnish the Port Authority with a copy of written reports of such tests.

(g) It is the intention of the parties hereto that nosie caused by aircraft engine operations shall be held to a minimum considering the nature of the Lessee's operations. To this end the Lessee will conduct its operations in such a manner as to keep the noise produced by aircraft engines to a minimum and where appropriate shall employ noise arresting and noise reducing devices that are suitable. The obligations assumed by the Lessee under this paragraph (g) shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to noise under this Agreement.

(h) In its use of the premises, the Lessee shall use its best efforts to minimize jet or prop blast interference to aircraft operating on or to buildings and structures now located on or which in the future may be located on areas adjacent to the premises. In the event the Port Authority determines at any time and from time to time that the Lessee has not so minimized the jet or prop blast interference, it may serve a notice on the Lessee to such effect and if the condition

The obligations assumed by the Lessee under this paragraph (j) shall continue throughout the term of this Lease and shall not be limited, affected, impaired or in any manner modified by the fact that the Port Authority shall have approved any Construction Application and supporting plans, specifications and contracts covering construction work and notwithstanding the incorporation therein of the Port Authority's recommendations or requirements and notwithstanding that the Port Authority may have at any time during the term of the Lease consented to or approved any particular procedure or method of operation which the Lessee may have proposed or the Port Authority may have itself prescribed the use of any procedure or method. The agreement of the Lessee to assume the obligations under this paragraph (j) is a special inducement and consideration to the Port Authority in entering into this Lease with the Lessee.

Section 9. Prohibited Acts

(a) The Lessee shall commit no unlawful nuisance, waste or injury on the premises, and shall not do or permit to be done anything which may result in the creation or commission or maintenance of such nuisance, waste or injury on the premises.

(b) The Lessee shall not create nor permit to be caused or created upon the premises any obnoxious odors or smokes, or noxious gases or vapors. The creation of exhaust fumes by the operation of the Lessee's internal-combusion engines or aircraft engines of other types, so long as such engines are maintained and are being operated in a proper manner, shall not be a violation of this paragraph (b).

(c) The Lessee shall not do or permit to be done anything which may interfere with the effectiveness or accessibility of the drainage and sewerage system, water system, communications system, underground fuel system, electrical fire-protection system, sprinkler system, alarm system, fire hydrants and hoses and other systems, if any, installed or located on, under, or in the premises.

(d) The Lessee shall not do or permit to be done any act or thing upon the premises (1) which will invalidate or conflict with any fire insurance, extended coverage or rental insurance policies covering the premises or any part thereof, or the Airport, or any part thereof, or (2) which, in the opinion of the Port Authority, may constitute an extra-hazardous condition, so as to increase the risks normally attendant upon the operations contemplated by Section 5 hereof. The Lessee shall promptly observe, comply with and execute the provisions of any and all present and future rules and regulations, requirements, orders and directions of the Insurance Services Office of New York, or of any other board or organization exercising or which may exercise similar functions, which may pertain or apply to the operations of the Lessee on the premises, and the Lessee shall, subject to and in accordance with the provisions of Section 33 hereof, make any and all structural and non-structural improvements, alterations or repairs of the premises that may be required at any time

is not corrected to the satisfaction of the Port Authority within thirty days after the service of said notice, the Lessee hereby covenants and agrees to erect and maintain at its own expense such structure or structures as may be necessary to minimize the said jet or prop blast interference, subject, however, to the prior written approval of the Port Authority as to the type, manner and method of construction. The obligations assumed by the Lessee under this paragraph shall not diminish, limit, modify or affect all other obligations of the Lessee with respect to interference under this Agreement.

(i) The Lessee agrees that it will not erect, construct or maintain or otherwise create or continue any obstacle or so park or store any aircraft or other object on the premises so as to create any obstacle that will hamper or interfere with the free, orderly, unobstructed and uninterrupted passage of vehicles, aircraft or of the wings or other integral part of aircraft of any type, nature or description, while such vehicle is operating or aircraft is taxiing or being transported or towed along the runways, taxiways and roads outside of and adjacent to the premises.

(j) In addition to compliance by the Lessee with all laws, ordinances, governmental rules, regulations and orders now or at any time in effect during the term of the letting hereunder which as a matter of law are applicable to the operation, use or maintenance by the Lessee of the premises or the operations of the Lessee under this Agreement (the foregoing not to be construed as a submission by the Port Authority to the application to itself of such requirements or any of them), the Lessee agrees that it shall exercise the highest degree of safety and care and shall conduct all its operations under this Lease and shall operate, use and maintain the premises in accordance with the highest standards and in such manner that there will be at all times a minimum of air pollution, water pollution or any other type of pollution and a minimum of noise emanating from, arising out of or resulting from the operation, use or maintenance of the premises by the Lessee and from the operations of the Lessee under this Agreement. The Port Authority hereby reserves the right from time to time and at any time during the term of this Lease to require the Lessee, and the Lessee agrees to design and construct at its sole cost and expense such reasonable structures, fences, equipment, devices and other facilities as may be necessary or appropriate to accomplish the objectives as set forth in the first sentence of this paragraph. All locations, the manner, type and method of construction and the size of any of the foregoing shall be determined by the Port Authority. The Lessee shall submit for Port Authority approval its plans and specifications covering the required work and upon receiving such approval shall proceed diligently to construct the same.

hereafter by any such present or future rule, regulation, requirement, order or direction. If by reason of any failure on the part of the Lessee to comply with the provisions of this paragraph any fire insurance rate, extended coverage or rental insurance rate on the premises or any part thereof, or on the Airport or any part thereof, shall at any time be higher than it would be if the premises were properly used for the purposes permitted by Section 5 hereof, then the Lessee shall pay to the Port Authority, as an item of additional rental, that part of all insurance premiums paid by the Port Authority which shall have been charged because of such violation or failure by the Lessee.

(e) The Lessee shall not dispose of nor permit any one to dispose of any waste material taken from its aircraft (whether liquid or solid) by means of the toilets, manholes, sanitary sewers or storm sewers in the premises except after treatment in installations or equipment included in plans and specifications submitted to and approved by the Port Authority.

(f) The Lessee shall not keep or store during any 24-hour period flammable liquids within any enclosed portion of the premises (other than in rooms or areas expressly constructed for the storage of such liquids) in excess of the Lessee's working requirements during the said 24-hour period. Any such liquids having a flash point of less than 110°F. shall be kept and stored in safety containers of a type approved by the Underwriters Laboratories or the Factory Mutual Insurance Association.

(g) The Lessee shall prevent access by persons or vehicles (unless duly authorized by the Port Authority) to the Public Landing Area from the premises except for aircraft, which aircraft shall be equipped with radio receivers tuned to control tower frequencies and adequately manned. Such aircraft may be towed by a motor vehicle or such other means as may be approved by the Port Authority. The Lessee shall prevent such access by such means as the Port Authority shall approve. Such prevention shall be accomplished on a twenty-four hour, seven day week basis. The Lessee shall also control access by the public to the ramp and apron areas by proper measures designed to maintain the highest standards of safety.

(h) The Lessee shall not operate any engine or any item of automotive equipment in any enclosed space on the premises unless such space is adequately ventilated and unless such engine is equipped with a proper spark-arresting device which has been approved by the Port Authority.

(i) The Lessee shall not operate or cause to be operated aircraft engines in any portions of the premises other than for the purpose of taxiing aircraft to and from the premises or in connection with authorized aircraft maintenance on the premises.

(j) The Lessee shall not perform any aircraft maintenance on the premises except that emergency aircraft maintenance and transit or turn around aircraft maintenance shall not be deemed to be prohibited by this provision.

(k) The Lessee shall not keep or store aviation fuel on the premises except that fueling equipment may be operated on the premises in accordance with the provisions of the General Airport Agreement covering the Underground Fuel Distribution System and with the Port Authority Rules and Regulations pertaining thereto.

(l) The Lessee shall not overload any floor and shall repair any floor, including supporting members, and any paved area damaged by overloading. Nothing in this paragraph (l) or elsewhere in this Agreement shall be or be construed to be a representation by the Port Authority of the weight any floor or paved area will bear.

Section 10. Care, Maintenance, Rebuilding and Repair by the Lessee

(a) The Lessee shall, throughout the term of this Lease, assume the entire responsibility and shall relieve the Port Authority from all responsibility for all repair, rebuilding and maintenance whatsoever in the premises, whether such repair, rebuilding or maintenance be ordinary or extraordinary, partial or entire, inside or outside, foreseen or unforeseen, structural or otherwise, and without limiting the generality of the foregoing, the Lessee shall:

(1) Keep at all times in a clean and orderly condition and appearance, the premises and all the Lessee's fixtures, equipment and personal property which are located in any part of the premises which is open to or visible by the general public;

(2) Remove all snow and ice and perform all other activities and functions necessary or proper to make the premises available for use by the Lessee;

(3) Take good care of the premises and maintain the same at all times in good condition; perform all necessary preventive maintenance, including but not limited to painting (the exterior of the premises and areas visible to the general public to be painted only in colors which have been approved by the Port Authority); and make all repairs and replacements, and do all rebuilding, inside and outside, ordinary and extraordinary, partial and entire, foreseen and unforeseen, structural or otherwise, which repairs, rebuilding and replacements by the Lessee shall be in quality and class not inferior to the original in materials and workmanship.

(4) Provide and maintain all obstruction lights and similar devices, and provide and maintain all fire protection and safety equipment and all other equipment of every kind and nature required by any law, rule, ordinance, resolution or regulation of the type and nature described in Sections 6 and 7 of this Agreement;

(5) Take such anti-erosion measures and maintain the landscaping at all times in good condition, including but not limited to periodic replanting, as the Port Authority may require, and perform and maintain such other landscaping with respect to all portions of the premises not paved or built upon as the Port Authority may require;

(6) Be responsible for the maintenance and repair of all utility service lines, including but not limited to, service lines for the supply of water, electric power and telephone conduits and lines, sanitary sewers and storm sewers, located upon the premises or located adjacent to the premises and used by the Lessee exclusively;

(7) Be responsible for appropriate lighting of all ramp and apron areas and for the maintenance and repair of any damage to the paving or other surface of the premises caused by any oil, gasoline, grease, lubricants or other flammable liquids and substances having a corrosive or detrimental effect thereon.

(b) In the event the Lessee fails to commence so to maintain, clean, repair, replace, rebuild or paint within a period of twenty (20) days after notice from the Port Authority so to do in the event that the said notice specifies that the required work to be accomplished by the Lessee includes maintenance and/or repair other than preventive maintenance; or within a period of one hundred eighty (180) days if the said notice specifies that the work to be accomplished by the Lessee involves preventive maintenance only, or fails diligently to continue to completion the repair, replacement, rebuilding or painting of all of the premises required to be repaired, replaced, rebuilt or painted by the Lessee under the terms of this Agreement, the Port Authority may, at its option, and in addition to any other remedies which may be available to it, repair, replace, rebuild or paint all or any part of the premises included in the said notice, and the cost thereof shall be payable by the Lessee upon demand.

Section 11. Insurance

The Lessee shall, during the term of this Agreement, insure and keep insured to the extent of 100% of the replacement value thereof, all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the premises against such hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York and also against damage or loss by windstorm, cyclone, tornado, hail, explosion, riot, civil commotion, aircraft, vehicles and smoke, under the Standard Form of Fire Insurance Policy of New York and the form of extended coverage endorsement prescribed as of the effective date of the said insurance by the Rating Organization having jurisdiction, and if the Port Authority so requests, also covering nuclear property losses and contamination hazards and risks and boiler and machinery hazards and risks in a separate insurance policy or policies or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the Rating Organization having jurisdiction and/or the Superintendent of Insurance of the State of New York and the Lessee shall furthermore provide additional insurance covering any other property risk that the Port Authority may at any time during the term of this Agreement cover by carrier or self-insurance covered by appropriate reserves at other locations at the Airport upon written notice to the Lessee to such effect.

The aforesaid insurance coverages and renewals thereof shall insure the Port Authority, the Lessee and the City of New York, as their interests may appear, and shall provide that the loss, if any, shall be adjusted with and payable to the Port Authority.

In the event the premises or any part thereof shall be damaged by any casualty against which insurance is carried pursuant to this Section 11, the Lessee shall promptly furnish to the Port Authority such information and data as may be necessary to enable the Port Authority to adjust the loss.

The policies or certificates representing insurance covered by this Section 11 shall be delivered by the Lessee to the Port Authority prior to the commencement date of the Lease and the policies or certificates representing the insurance covered by Section 2 (b) (14) shall be delivered by the Lessee to the Port Authority prior to the commencement of construction and each policy or certificate delivered shall bear the endorsement of or be accompanied by evidence of payment of the premium thereon, and also, a valid provision obligating the insurance company to furnish the Port Authority and the City of New York ten (10) days' advance notice of the cancellation, termination, change or modification of the insurance evidenced by said policy or certificate. Renewal policies or certificates shall be delivered to the Port Authority at least ten (10) days before the expiration of the insurance which such policies are to renew.

Regardless, however, of the persons whose interests are insured, the proceeds of all policies covered by this Section 11 shall be applied as provided in Section 12; and the word "insurance" and all other references to insurance in said Section 12 shall be construed to refer to the insurance which is the subject matter of this Section 11, and to refer to such insurance only.

The insurance covered by this Section 11 and by Section 2 (b) (14) shall be written by companies approved by the Port Authority, the Port Authority covenanting and agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If at any time the Port Authority so requests, a certified copy of each of said policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port District.

Section 12. Damage to or Destruction of Premises

(a) Removal of Debris. If the premises, or any part thereof, shall be damaged by fire, the elements, the public enemy or other casualty, the Lessee shall promptly remove all debris resulting from such damage from the premises, and to the extent, if any, that the removal of debris under such circumstances is covered by insurance, the proceeds thereof shall be made available to and be used by the Lessee for such purpose.

(b) Minor Damage. If the premises, or any part thereof, shall be damaged by fire, the elements, the public enemy or other casualty but not rendered untenantable or unusable for a period of ninety days, the premises shall be repaired with due diligence in accordance with the plans and specifications for the premises as they existed prior to such damage by and at the expense of the Lessee and if such damage is covered by insurance, the proceeds thereof shall be made available to and be used by the Lessee for that purpose.

(c) Major Damage to or Destruction of the Premises. If the premises, or any part thereof shall be destroyed or so damaged by fire, the elements, the public enemy or other casualty as to be untenantable or unusable for ninety days, or if within 90 days after such damage or destruction the Lessee notifies the Port Authority in writing that in its opinion said premises will be untenantable or unusable for ninety days then: The Lessee shall proceed with due diligence to make the necessary repairs or replacements to restore such premises in accordance with the plans and specifications for the premises as the same existed prior to such damage or destruction; or with the approval in writing of the Port Authority make such other repairs, replacements or changes as may be desired by the Lessee. If such destruction or damage was covered by insurance, the proceeds thereof shall be made available to and used by the Lessee for such restoration.

The obligation of the Lessee to repair or replace shall be limited to the amount of the insurance proceeds provided the Lessee has carried insurance to the extent and in accordance with Section 11 hereof. Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

The parties hereby stipulate that neither the provisions of Section 227 of the Real Property Law of New York nor those of any other similar statute shall extend or apply to this Agreement.

Section 13. Indemnity and Liability Insurance

(a) The Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from all claims and demands of third persons including but not limited to claims and demands for death or personal injuries, or for property damages, arising out of the use or occupancy of the premises by the Lessee or out of any of the acts or omissions of the Lessee, its officers, employees, guests, invitees and business visitors on the premises including claims and demands of the City of New York against the Port Authority pursuant to the provisions of the Basic Lease, whereby the Port Authority has agreed to indemnify the City against claims.

(b) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under this Agreement, the Lessee in its own name as assured and naming the Port Authority as an additional insured shall maintain and pay the premiums during the term of this Agreement on a policy or policies of comprehensive general liability insurance broadened to include or equivalent separate policies covering airport operator's liability under an airport liability policy, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the following limits: $10,000,000 per occurrence, liability and property damage under all said policies; $5,000,000 on property damage to aircraft in the care, custody or control of the Lessee.

(c) As to the insurance required by the provisions of this Section and Section 2 (b) (11), a certified copy of each of the policies or a certificate or certificates evidencing the existence thereof, or binders, shall be delivered to the Port Authority. As to insurance required by this Section, delivery shall be made at least fifteen days prior to the use of any portion of the premises by the Lessee and as to insurance required by Section 2(b) (11), delivery shall be made at least fifteen (15) days prior to the commencement of any construction work. In the event any binder is delivered, it shall be replaced within the thirty (30) days by a certified copy of the policy or a certificate. Each such copy or certificate shall contain a valid provision or endorsement that the policy may not be cancelled, terminated, changed or modified without giving fifteen (15) days' written advance notice thereof to the Port Authority. Each such copy or certificate shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority or the provisions of any statutes respecting suits against the Port Authority. Any renewal policy shall be delivered to the Port Authority at least fifteen (15) days prior to the expiration of each expiring policy, except for any policy expiring after the date of expiration of the term of this Agreement. The aforesaid insurance shall be written by a company or companies approved by the Port Authority, the Port Authority agreeing not to withhold its approval unreasonably. If at any time any of the insurance policies shall be or become unsatisfactory to the Port Authority as to the form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Port Authority, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Port Authority covenanting and agreeing not to act unreasonably hereunder. If the Port Authority at any time so requests, a certified copy of each of the policies shall be made available by the Lessee to the Port Authority for inspection and reproduction at an office of the Lessee within the Port District.

Section 14. Signs

(a) Except with the prior written approval of the Port Authority, the Lessee shall not erect, maintain or display any signs or advertising at or on the exterior parts of the premises or in the premises so as to be visible from outside the premises or at or on any other portion of the Airport outside the premises. Interior signs affecting public safety and security shall be in accordance with established Port Authority standards.

(b) Upon the expiration or termination of the letting, the Lessee shall remove, obliterate or paint out, as the Port Authority may direct, any and all signs and advertising on the premises or elsewhere on the Airport and in connection therewith shall restore the portion of the premises and the Airport affected by such signs or advertising to the same condition as existing prior to the installation of such signs and advertising. In the event of a failure on the part of the Lessee so to remove, obliterate or paint out each and every such sign or advertising and so to restore the premises and the Airport, the Port Authority may perform the necessary work and the Lessee shall pay the cost thereof to the Port Authority on demand.

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Section 15. Obstruction Lights

The Lessee shall install, maintain and operate at its own expense such obstruction lights on the premises as the Federal Aviation Administration may direct or as the General Manager of the Airport may reasonably direct, and shall energize such lights daily for a period commencing thirty (30) minutes before sunset and ending thirty (30) minutes after sunrise (as sunset and sunrise may vary from day to day throughout the year) and for such other period as may be directed or requested by the Control Tower of the Airport.

Section 16. Additional Rent and Charges

If the Port Authority is required or elects to pay any sum or sums or incurs any obligations or expense by reason of the failure, neglect or refusal of the Lessee to perform or fulfill any one or more of the conditions, covenants or agreements contained in this Agreement or as a result of an act or omission of the Lessee contrary to the said conditions, covenants and agreements, the Lessee agrees to pay the sum or sums so paid or the expense so incurred, including all interest, costs, damages and penalties, and the same may be added to any installment of rent thereafter due hereunder, and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally a part of the rent as set forth in Section 4 hereof.

Section 17. Rights of Entry Reserved

(a) The Port Authority, by its officers, employees, agents, representatives and contractors shall have the right at all reasonable times to enter upon the premises for the purpose of inspecting the same, for observing the performance by the Lessee of its obligations under this Agreement, and for the doing of any act or thing which the Port Authority may be obligated or have the right to do under this Agreement.

(b) Without limiting the generality of the foregoing, the Port Authority, by its officers, employees, agents, representatives, and contractors, and furnishers of utilities and other services, shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of other than the Lessee at the Airport, to maintain existing and future utility, mechanical, electrical and other systems and to enter upon the premises at all reasonable times to make such repairs, replacements or alterations as may, in the opinion of the Port Authority, be deemed necessary or advisable and, from time to time, to construct or install over, in or under the premises new systems or parts thereof, and to use the premises for access to other parts of the Airport otherwise not conveniently accessible; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the premises by the Lessee.

(c) Further, without limiting the generality of this Section the Port Authority, by its officers, employees, agents, representatives and contractors and furnishers of service shall have the right, for its own benefit, for the benefit of the Lessee, or for the benefit of others than the Lessee at the Airport to maintain the portions of the Distribution Portion of the Underground Fuel Distribution System as described in Supplement No 20 to the General Airport Agreement as defined in Section 42 located under or on the premises and to enter upon the premises at all times to make such repairs, replacements or alterations to the Distribution Portion of the Underground Fuel Distribution System as may, in the opinion of the Port Authority, be deemed necessary or desirable and, from time to time to construct or install over, in or under the premises additions or extensions to said Distribution Portion of the Underground Fuel Distribution System; provided, however, that in the exercise of such rights of access, repair, alteration or new construction the Port Authority shall not unreasonably interfere with the use and occupancy of the premises by the Lessee pursuant to the provisions of this Agreement.

Neither the Distribution Portion of the Underground Fuel Distribution System or any part thereof as described in Supplement No. 20 to the General Airport Agreement as defined in Section 42 of the Lease, shall be or be deemed to be a part of the premises under the Lease.

(d) In the event that any property of the Lessee shall obstruct the access of the Port Authority, its employees, agents or contractors to any of the existing or future utility, mechanical, electrical and other systems and thus shall interfere with the inspection, maintenance or repair of any such system, the Lessee shall move such property, as directed by the Port Authority, in order that the access may be had to the system or part thereof for its inspection, maintenance or repair, and, if the Lessee shall fail to so move such property after direction from the Port Authority to do so, the Port Authority may move it and the Lessee hereby agrees to pay the cost of such moving upon demand.

(e) Nothing in this Section shall or shall be construed to impose upon the Port Authority any obligations so to construct or maintain or to make repairs, replacements, alterations or additions, or shall create any liability for any failure so to do. The Lessee is and shall be in exclusive control and possession of the premises and the Port Authority shall not in any event be liable for any injury or damage to any property or to any person happening on or about the premises nor for any injury or damage to the premises nor to any property of the Lessee or of any other person located in or thereon (other than those occasioned by the affirmative acts of the Port Authority, its employees, agents and representatives).

(f) At any time and from time to time during ordinary business hours within the six (6) months next preceding the expiration of the letting, the Port Authority, for and by its agents and employees, whether or not accompanied by prospective lessees, occupiers or users of the premises, shall have the right to enter thereon for the purpose of exhibiting and viewing all parts of the same, and during such six-month period the Port Authority may place and maintain on the premises the usual "To Let" signs, which signs the Lessee shall permit to remain without molestation.

(g) If, during the last month of the letting, the Lessee shall have removed all or substantially all its property from the premises, the Port Authority may immediately enter and alter, renovate and redecorate the premises.

(h) The exercise of any or all of the foregoing rights by the Port Authority or others shall not be or be construed to be an eviction of the Lessee nor be made the grounds for any abatement of rental nor any claim or demand for damages, consequential or otherwise.

Section 18. Condemnation

(a) Definitions

As used in this Section 18, the phrase, "temporary interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to the possession of such property (whether or not such interest includes or is coextensive with an interest of the Lessee therein under this Agreement), for an indefinite term or for a term terminable at will or at sufferance or for a term measured by a war or an emergency or other contingency or for a fixed term expiring prior to the expiration date of this Lease; and the phrase "permanent interest," when used with reference to real property, shall mean an interest in such real property entitling the owner of such interest to possession thereof, other than a temporary interest as above defined, including among others a fee simple and an interest for a term of years expiring on or after the expiration date of this Agreement.

As used in this Section with reference to any premises or facilities leased to the Lessee for its exclusive use or with reference to the Public Landing Area, the phrase "a material part" shall mean such a part of the said premises or said Public Landing Area that the Lessee cannot continue to carry on its normal operations at the John F. Kennedy International Airport without using such part.

(b) Condemnation or Taking of a Permanent Interest in All or any part of the Demised Premises or All or a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by any body having a superior power of eminent domain of a permanent interest in all or any part of the demised premises or of a permanent interest in all or any part of the Public Landing Area (any such acquisition under this Section 18 hereinafter referred to as a "taking"), the Port Authority shall purchase from the Lessee, and the Lessee shall sell to the Port Authority, the Lessee's leasehold interest (excluding any personal property whatsoever) in the demised premises except that in the event of a taking of less than all of the said premises, the Port Authority shall purchase and the Lessee shall sell only so much of the Lessee's leasehold interest in the premises as are taken. The sole and entire consideration to be paid by the Port Authority to the Lessee shall be an amount equal to the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises or, in the event of a taking of less than all of the said premises, an amount equal to the

unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in so much of the premises as are taken. However, the Port Authority shall purchase and the Lessee shall sell only if the consideration paid by the Port Authority therefor will constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration can otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease. Such purchase and sale shall take effect as of the date upon which such body having superior power of eminent domain obtains possession of any such permanent interest in the demised premises or in the Public Landing Area, as the case may be, and in that event, the Lessee (except with respect to its personal property), shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

If, however, the amount to be paid by the Port Authority (the unamortized capital investment, as defined in Section 65 hereof, if any, of the Lessee in the premises) for such leasehold interest will not constitute "unamortized Port Authority funds other than bond proceeds or Federal or State grants, expended for capital improvements at the municipal air terminals," within the meaning of said phrase as used in Section 23, I, D of the Basic Lease or if an amount not less than such consideration cannot otherwise be retained by the Port Authority (and not be required to be paid to the City of New York) out of the damages or award in respect to such taking without violation of any obligation of the Port Authority to the City of New York under the Basic Lease, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in any such event, the Lessee shall have the right to appear and file its claim for damages in the condemination or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive such amount as it may lawfully be entitled to receive as damages or payment as a result of such taking, because of its leasehold interest in the premises, up to but not in excess of an amount equal to the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises. The Port Authority and the Lessee hereby agree that as full and final settlement of any sum that may be due as rent or otherwise for the balance of the term of this Lease, the Lessee will pay to the Port Authority the excess, if any, which the Lessee may be entitled to receive over the foregoing sum. If there be no excess, any sum that may be due as rent or otherwise for the balance of the term of this Lease shall abate.

In the event of the taking of all of the premises and if the Lessee has no unamortized capital investment (as defined in Section 65 hereof) in the premises at the time of the taking, then the aforesaid agreement to purchase and sell said leasehold interest shall be null and void; and in that event, this Lease and all rights granted by this Lease to the Lessee to use or occupy the premises for its exclusive use or for its use in common with others at the Airport and all rights, privileges, duties and obligations of the parties in connection therewith or arising thereunder shall terminate as of the date of the taking, and in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

In the event that the taking covers only a material part of the premises, then the Lessee and the Port Authority shall each have an option exercisable by notice given within ten (10) days after the effective date of such taking to terminate the letting hereunder with respect to the premises not taken, as of the date of such taking and such termination shall be effective as if the date of such taking were the original date of expiration hereof. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the premises not taken for a consideration equal to the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises not taken. If the letting of the entire premises is not terminated, the settlement or abatement of rentals after the date possession is taken by the body having a superior power of eminent domain shall be in accordance with Section 4 hereof.

(c) Condemnation or Taking of a Permanent Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a permanent interest in less than a material part of the Public Landing Area, the Port Authority and the Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such taking. However, if at the time of such taking the Lessee has no unamortized investment (as defined in Section 65 hereof) in the premises, in that event, the Lessee (except with respect to its personal property) shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such taking, and all rights to damages, if any, of the Lessee (except for damages to its personal property) by reason thereof are hereby assigned to the Port Authority.

(d) Condemnation or Taking of a Temporary Interest in All or Any Part of the Demised Premises or All or a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a temporary interest in all or any part of the demised premises or of a temporary interest in all or a material part of the Public Landing Area, there shall be no abatement of any rental payable by the Lessee to the Port Authority under the provisions of this Agreement but the Lessee shall have the right to claim and in the event of an award therefor shall be entitled to retain the amount which may be awarded as damages or paid as a result of the condemnation or other taking of such temporary interest, provided, that the Lessee shall be obligated to pay over to the Port Authority all such payments as may be made to the Lessee as damages or in satisfaction of such claim, after deduction of (a) reasonable expenses incurred by the Lessee in the prosecution of such claim; (b) an amount equal to the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises, or in the event of a taking of less than all of the said premises, an amount equal to such unamortized capital investment in the premises as are taken, to the extent in either case that the same is to be amortized over the period of the taking; and (c) the then present capitalized value of the Lessee's obligation for rentals thereafter payable during the period of the taking in respect to the demised premises, or, in the event of a taking of less than all of the said premises, in respect to the premises so taken.

In the event that the taking covers a material part but less than all of the demised premises, then the Lessee and the Port Authority shall each have an option, exercisable by notice given within ten (10) days after the effective date of such taking, to suspend the term of the letting of such of the demised premises as are not so taken during the period of the taking, and, in that event, the rentals for such premises shall abate for the period of the suspension. If the Port Authority exercises this option, it shall purchase from the Lessee the Lessee's leasehold interest (excluding any personal property whatsoever) in the premises not taken for the period of suspension for a consideration equal to the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in such premises which is to be amortized over the period of such suspension.

(e) Condemnation or Taking of a Temporary Interest in Less Than a Material Part of the Public Landing Area.

Upon the acquisition by condemnation or the exercise of the power of eminent domain by a body having a superior power of eminent domain of a temporary interest in less than a material part of the Public Landing Area, the Lessee shall not have any claim or right to claim or be entitled to any portion of the amount which may be awarded as damages or paid as a result of such condemnation or taking, and all rights to damages, if any, of the Lessee, including consequential damages, by reason of such condemnation or taking, are hereby assigned to the Port Authority.

Section 19. Assignment and Sublease

(a) The Lessee covenants and agrees that it will not sell, convey, transfer, mortgage, pledge or assign this Agreement or any part thereof, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of the Lessee which is or is to be a Scheduled Aircraft Operator, and with or into which the Lessee may merge or consolidate, or which may succeed to the assets of the Lessee or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft, and provided, further, that such succeeding entity or purchaser executes and delivers to the Port Authority an instrument in a form satisfactory to the Port Authority assuming the obligations of the Lessee as if it were the original tenant hereunder.

(b) The Lessee shall not sublet the premises or any part thereof, without the prior written consent of the Port Authority, provided, however, that if any of the events set forth in Section 37(a)(1) hereof shall occur, the Lessee may sublet the entire premises or assign this Agreement with the consent of the Port Authority, which consent will not be unreasonably withheld if the sublessee or assignee is a Scheduled Aircraft Operator.

(c) If without the prior written consent of the Port Authority, the Lessee assigns, sells, conveys, transfers, mortgages, pledges or sublets in violation of paragraphs (a) or (b) of this Section or if the premises are occupied by anybody other than the Lessee, the Port Authority may collect rent from any assignee, sublessee or anyone who claims a right under this Agreement or letting or who occupies the premises, and the Port Authority shall apply the net amount collected to the rental herein reserved; but no such collection shall be deemed a waiver by the Port Authority of the covenants contained in paragraphs (a) and (b) of this Section or an acceptance by the Port Authority of any such assignee, sublessee, claimant or occupant as Lessee, nor a release of the Lessee by the Port Authority from the further performance by the Lessee of the covenants contained herein.

(d) Neither the limited right of assignment provided in paragraph (a) hereof nor the exercise of said right by the Lessee shall be construed or deemed to release, relieve or discharge any succeeding assignee, successor or transferee of the Lessee or any other person claiming any right, title or interest in this Agreement from the requirement of obtaining the prior written consent of the Port Authority in the event it wishes to sell, convey, transfer, mortgage, pledge, sublet or assign this Agreement or any part thereof, or any rights created thereby or the letting hereunder or any part thereof, or any rights created thereby without such prior written consent of the Port Authority.

(e) The Port Authority shall not assign or otherwise transfer this Lease or any of its rights hereunder (i) to any private person without written consent duly executed by the Lessee; or (ii) to the City of New York, unless the City of New York at the time of such assignment or transfer assumes the obligations of the Port Authority under this Lease.

(f) The Lessee shall not use or permit any person to use the premises or any portion thereof for any purpose other than the purposes stated in Section 5 hereof. Except as provided in this Agreement or otherwise permitted in writing by the Port Authority, the Lessee shall not permit the premises to be used or occupied by any person other than its own officers, employees, passengers, contractors and representatives.

Section 20. Termination by the Port Authority

(a) If any one or more of the following events shall occur, that is to say:

(1) The Lessee shall become insolvent or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

(2) By order or decree of a court the Lessee shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of the stockholders of the Lessee, seeking its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any law or statute of the United States or of any state thereof, provided that if any such judgment or order is stayed or vacated within sixty (60) days after the entry thereof, any notice of cancellation shall be and become null, void and of no effect; or

(3) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer having jurisdiction, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of the Lessee, and such possession or control shall continue in effect for a period of sixty (60) days; or

(4) The Lessee shall voluntarily abandon, desert or vacate the premises or discontinue its operations at the Airport, or after exhausting or abandoning any right of further appeal, the Lessee shall be prevented for a period of thirty (30) days by action of any governmental agency other than the Port Authority having jurisdiction thereof, from conducting its operations at the Airport, ~~regardless of the fault of the Lessee~~; or

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American Airlines, Inc.

INITIALS:

The Port Authority of N.Y. & N.J.

(5) Any lien is filed against the premises because of any act or omission of the Lessee and shall not be discharged within thirty (30) days after the Lessee has received notice thereof; or

(6) Except as otherwise in paragraph (a) of Section 19, the letting hereunder or the interest or estate of the Lessee under this Agreement shall be transferred directly by the Lessee or shall pass to or devolve upon, by operation of law or otherwise, any other person, firm or corporation; or

(7) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute shall be filed against the Lessee and shall not be dismissed within ninety (90) days after the filing thereof; or

(8) Except as otherwise provided in paragraph (a) of Section 19, the Lessee, if a corporation, shall, without the prior written approval of the Port Authority, become a possessor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution; or

(9) The Lessee shall fail duly and punctually to pay the rentals or to make any other payment required hereunder when due to the Port Authority and shall continue in its failure to pay rentals or to make any other payments required hereunder for a period of twenty (20) days after receipt of notice by it from the Port Authority to make such payments; or

(10) The Lessee shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement on its part to be kept, performed, or observed, within thirty (30) days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligation requires activity over a period of time, and the Lessee shall have commenced to perform whatever may be required for fulfillment within thirty (30) days after receipt of notice and continues such performance without interruption except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance thereof, the Port Authority may upon twenty (20) days' notice terminate the rights of the Lessee hereunder and the letting, such termination to be effective upon the date specified in such notice. Such right of termination and the exercise thereof shall be and operate as a conditional limitation.

(b) No acceptance by the Port Authority of rentals, fees, charges or other payments in whole or in part for any period or periods after a default of any of the terms, covenants and conditions hereof to be performed, kept or observed by the Lessee shall be deemed a waiver of any right on the part of the Port Authority to terminate the letting.

(except that a merger or consolidation shall not be grounds for termination if the resulting corporation has a financial standing as of the date of the merger or consolidation at least as good as that of the Lessee by which is meant that its working capital, its ratio of current assets to current liabilities, its ratio of fixed assets to fixed liabilities and its net worth shall be at least as favorable as that of the Lessee);

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American Airlines, Inc. The Port Authority of N.Y. & N.J.

(c) No waiver by the Port Authority of any default on the part of the Lessee in performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the Lessee shall be or be construed to be a waiver by the Port Authority of any other or subsequent default in performance of any of the said terms, covenants and conditions.

(d) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Port Authority would have at law or in equity consequent upon any breach of this Agreement by the Lessee, and the exercise by the Port Authority of any right of termination shall be without prejudice to any other such rights and remedies.

Section 21. Right of Re-entry

The Port Authority shall, as an additional remedy upon the giving of a notice of termination as provided in Section 20 hereof, have the right to re-enter the premises and every part thereof upon the effective date of termination without further notice of any kind, and may regain and resume possession either with or without the institution of summary or any other legal proceedings or otherwise. Such re-entry, or regaining or resumption of possession, however, shall not in any manner affect, alter or diminish any of the obligations of the Lessee under this Agreement, and shall in no event constitute an acceptance of surrender.

Section 22. Waiver of Redemption

The Lessee hereby waives any and all rights to recover or regain possession of the premises and all rights of redemption, granted by or under any present or future law in the event it is evicted or dispossessed for any cause, or in the event the Port Authority obtains possession of the premises in any lawful manner.

Section 23. Survival of the Obligations of the Lessee

(a) In the event that the letting shall have been terminated in accordance with a notice of termination as provided in Section 20 hereof, or the interest of the Lessee cancelled pursuant thereto, or in the event that the Port Authority has re-entered, regained or resumed possession of the premises in accordance with the provisions of Section 21 hereof, all the obligations of the Lessee under this Agreement shall survive such termination or cancellation, or re-entry, regaining or resumption of possession and shall remain in full force and effect for the full term or the letting under this Agreement, and the amount or amounts of damages or deficiency shall become due and payable to the Port Authority to the same extent, at the same time or times and in the same manner as if no termination, cancellation, re-entry, regaining or resumption of possession had taken place. The Port Authority may maintain separate actions each month to recover the damage or deficiency then due or at its option and at any time may sue to recover the full deficiency less the proper discount, for the entire unexpired term.

(b) The amount of damages for the period of time subsequent to termination or cancellation (or re-entry, regaining or resumption of possession) on account of the Lessee's rental obligations, shall be the sum of the following:

(1) The amount of the total of all annual ground rentals, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(2) The amount of the total of all annual facility rentals, but with respect to each facility rental only for the portion of the term during which each such facility rental is payable, less the installments thereof payable prior to the effective date of termination except that the credit to be allowed for the installments payable on the first day of the month in which the termination is effective shall be prorated for the part of the month the letting remains in effect on the basis of the actual number of days in said month, and

(3) An amount equal to all expenses reasonably incurred by the Port Authority in connection with regaining possession and restoring and reletting the demised premises, for legal expenses, putting the premises in order including, without limitation, cleaning, decorating and restoring (on failure of the Lessee to restore), maintenance and brokerage fees.

Section 24. Reletting by the Port Authority

The Port Authority upon termination or cancellation pursuant to Section 20 hereof, or upon any re-entry, regaining or resumption of possession pursuant to Section 21 hereof, may occupy the premises or may relet the premises, and shall have the right to permit any persons, firm or corporation to enter upon the premises and use the same. Such reletting may be of part only of the premises or a part thereof together with other space, and for a period of time the same as or different from the balance of the term hereunder remaining, and on terms and conditions the same as or different from those set forth in this Agreement. The Port Authority shall also, upon termination or cancellation pursuant to the said Section 20, or upon its re-entry, regaining or resumption of possession pursuant to the said Section 21, have the right to repair or to make structural or other changes in the premises, including changes which alter the character of the premises and the suitability thereof for the purpose of the Lessee under this Agreement, without affecting, altering or diminishing the obligations of the Lessee hereunder. In the event either of any reletting or of any actual use and occupancy by the Port Authority (the mere right of the Port Authority to use and occupy not being sufficient however) there shall be credited to the account of the Lessee against its survived

obligations hereunder any net amount remaining after deducting from the amount actually received from any lessee, licensee, permittee or other occupier in connection with the use of the said premises or portion thereof during the balance of the letting as the same is originally stated in this Agreement, or from the market value of the occupancy of such portion of the premises as the Port Authority may during such period actually use and occupy, all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith. No such reletting shall be or be construed to be an acceptance of a surrender.

Section 25. Remedies to be Non-Exclusive

All remedies provided in this Agreement shall be deemed cumulative and additional and not in lieu of or exclusive of each other or of any other remedy available to the Port Authority or to the Lessee at law or in equity, and the exercise of any remedy, or the existence herein of other remedies or indemnities shall not prevent the exercise of any other remedy.

Section 26. Surrender

The Lessee covenants and agrees to yield and deliver peaceably to the Port Authority possession of the premises on the date of cessation of the letting, whether such cessation be by termination, expiration or otherwise, promptly and in good condition.

Section 27. Acceptance of Surrender of Lease

No agreement of surrender or to accept a surrender shall be valid unless and until the same shall have been reduced to writing and signed by the duly authorized representatives of the Port Authority and of the Lessee. Except as expressly provided in this Section, neither the doing of, nor any omission so to do, any act or thing, by any of the officers, agents or employees of the Port Authority, shall be deemed an acceptance of a surrender of the letting or of this Agreement.

Section 28. Effect of Basic Lease

The letting shall, in any event, terminate with the termination or expiration of the Basic Lease with the City of New York which covers the premises, such termination to be effective on such date and to have the same effect as if the term of the letting had on that date expired. The rights of the Port Authority in the premises are those granted to it by the Basic Lease, and no greater rights are granted or intended to be granted to the Lessee than the Port Authority has power thereunder to grant.

The Port Authority covenants that, during the term of this Agreement, the Port Authority will not take any action which would amount to or have the effect of cancelling, surrendering or terminating the Basic Lease prior to the date specified in the Basic Lease for its expiration or would in any manner deprive the Lessee of any of its rights, licenses or privileges under this Agreement.

Nothing herein contained shall prevent the Port Authority from entering into an agreement with The City of New York pursuant to which the Basic Lease is surrendered, cancelled or terminated provided that The City of New York, at the time of such agreement, assumes the obligations of the Port Authority under this Agreement.

Nothing contained in this Agreement shall be deemed a waiver by the Lessee of any of its rights, licenses or privileges under this Agreement in the event that the Basic Lease should be surrendered, cancelled or terminated prior to the date specified in the Basic Lease for its expiration.

Section 29. Removal of Property

The Lessee shall have the right at any time during the letting to remove its equipment, inventories, removable fixtures and other personal property from the premises. If the Lessee shall fail to remove its property on or before the termination or expiration of the letting, the Port Authority may remove such property to a public warehouse for deposit or retain the same in its own possession, and sell the same at public auction, the proceeds of which shall be applied first to the expenses of removal, storage and sale, second to any sums owed by the Lessee to the Port Authority, with any balance remaining to be paid to the Lessee; if the expenses of such removal, storage and sale shall exceed the proceeds of sale, the Lessee shall pay such excess to the Port Authority upon demand.

Section 30. Brokerage

The Lessee represents and warrants that no real estate broker has been concerned on its behalf in the negotiation of this Agreement and that there is no real estate broker who is or may be entitled to be paid a commission in connection therewith. The Lessee shall indemnify and save harmless the Port Authority of and from any claim for commission or brokerage made by any and all persons, firms or corporations whatsoever for services rendered to the Lessee in connection with the negotiation and execution of this Agreement.

Section 31. Limitation of Rights and Privileges Granted

(a) No greater rights or privileges with respect to the use of the premises or any part thereof are granted or intended to be granted to the Lessee by this Agreement, or by any provision thereof, than the rights and privileges expressly and specifically granted hereby.

(b) The premises are let to the Lessee and the Lessee takes the same subject to all the following: (i) easements, restrictions, reservations, covenants and agreements, if any, to which the premises are subject, rights of the public in and to any public street, (ii) rights, if any, of any enterprise, public or private which is engaged in furnishing heating, lighting, power, telegraph, telephone, steam, or transportation services and of the City and State of New York.

(c) The Lessee hereby acknowledges that it has not relied upon any representation or statement of the Port Authority or its Commissioners, officers, employees or agents as to the condition of the premises. The Lessee, prior to the execution of this Agreement, has thoroughly examined the premises and hereby agrees to take the same in their present condition. The Lessee hereby further acknowledges that it has during the term of the Surrendered Lease performed repairs and construction and installed improvements on the premises, title to all of which it is hereby agreed has vested in the City of New York. In the event that as of the commencement of the term of the letting under this Lease, the Lessee shall not have kept any or all of the foregoing in good condition as required under the Surrendered Lease, the Lessee shall place and keep the same in good condition as required under this Lease.

Any liabilities or obligations which by the terms of the Surrendered Lease, or letter agreements or permits thereunder to make alterations, mature at the expiration or termination of said lease, shall be deemed to survive and mature at the expiration or earlier termination of this Lease.

Section 32. Notices

Except where expressly required or permitted herein to be oral, all notices, directions, requests, consents and approvals required to be given to or by either party shall be in writing, and all such notices and requests shall be personally delivered to the duly designated officer or representative of such party or delivered to the office of such officer or representative during regular business hours, or forwarded to him or to the party at such address by certified or registered mail. The Lessee shall from time to time designate in writing an office within the Port of New York District and an officer or representative whose regular place of business is at such office upon whom notices and requests may be served. Until further notice, the Port Authority hereby designates its Executive Director, and the Lessee designates its representative named on the first page hereof as their officers upon whom notices and requests may be served, and the Port Authority designates its office at One World Trade Center, New York, New York 10048, and the Lessee designates its office at 633 Third Avenue, New York, New York, as their respective offices where notices and requests may be served. If mailed, the notices herein required to be served shall be deemed effective and served as of the date of the certified or registered mailing thereof. The Port Authority shall for informational purposes send a copy of all such notices and requests to the Vice President Properties and Facilities, American Airlines, Inc., 633 Third Avenue, New York, New York 10017, or to such other person as the Lessee may request in writing, but failure on the part of the Port Authority to do so shall not be or be deemed to be a breach of this Agreement or affect the validity of the notices given by the Port Authority pursuant to the preceding provisions of this Section 32.

Section 33. Other Construction by the Lessee

Except as expressly provided in Section 2 hereof, the Lessee shall not erect any structures, make any improvements or do any other construction work on the premises or alter, modify, or make additions or improvements to any structure now existing or built at any time during the letting, or install any fixture (other than trade fixtures, removable without material damage to the freehold, any such damage to be immediately repaired by the Lessee) without the prior written approval of the Port Authority and in the event any construction, improvement, alteration, modification or addition, is made without such approval, then upon reasonable notice so to do, the Lessee will remove the same, or at the option of the Port Authority cause the same to be changed to the satisfaction of the Port Authority. In case of any failure on the part of the Lessee to comply with such notice, the Port Authority may effect the removal or change and the Lessee shall pay the cost thereof to the Port Authority.

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Without limiting the generality of the foregoing paragraph the Lessee acknowledges and agrees that Note 1 and Note 2 and their associated reference lines set forth on Exhibit A to the Lease shall not constitute or be deemed to constitute or imply that approval of the Port Authority will be granted to any proposed construction by the Lessee nor shall the same grant or be deemed to grant any right or permission to the Lessee now or in the future to erect any structures, make any improvements or do any other construction work in the premises, including but not limited to paving, or to alter, modify or make additions, improvements or repairs to or replacements of, any structure now existing or built at any time during the letting or install any fixtures on the premises, including but not limited to paving, and that the provisions of the foregoing paragraph of this Section shall be read and construed as if there were no Note 1 and Note 2 of Exhibit A and their associated reference lines, which were placed on such Exhibit solely and exclusively for the benefit of the Port Authority.

Section 34. Place of Payments

All payments required of the Lessee by this Agreement shall be made at the office of the Treasurer of the Port Authority, One World Trade Center, New York, New York 10048, or to such other officer or address as may be substituted therefor.

Section 35. Construction and Application of Terms

(a) The Section and paragraph headings, if any, in this Agreement, are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of any provision hereof.

(b) The terms, provisions and obligations contained in the Exhibits attached hereto, whether there set out in full or as amendments of, or supplements to provisions elsewhere in the Agreement stated, shall have the same force and effect as if herein set forth in full.

Section 36. Non-liability of Individuals

No Commissioner, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement or because of any breach thereof, or because of its or their execution or attempted execution.

Section 37. Termination by Lessee

(a) If any one or more of the following events shall occur:

(1) If the Lessee shall be prevented from operating its air transportation system to and from the Airport by reason of its inability to use a substantial part of all of the runways and taxiways, as hereinafter defined.

(i) for a period of longer than thirty (30) consecutive days, resulting from any condition of the Airport not due to the fault of the Lessee; or

(ii) for a period of longer than ninety (90) consecutive days, resulting from a permanent injunction issued by any court of competent jurisdiction; or

(iii) for a period of longer than ninety (90) consecutive days, resulting from any order, rule or regulation of the Federal Aviation Administration, or other governmental agency having jurisdiction over the operations of the Lessee with which the Lessee is unable to comply at reasonable cost or expense; or

(2) The Port Authority shall fail to perform any of its obligations under this Lease within twenty (20) days after receipt of notice of default thereunder from the Lessee (except where fulfillment of its obligation requires activity over a period of time and the Port Authority shall commence to perform whatever may be required for fulfillment within twenty (20) days after the receipt of notice and continues such performance without interruption, except for causes beyond its control);

then upon the occurrence of any such event or at any time thereafter during the continuance of the condition, the Lessee may by twenty (20) days' notice terminate the letting, such termination to be effective upon the date set forth in such notice and to have the same effect as if the term of the letting had on that date expired. No waiver by the Lessee of any default on the part of the Port Authority in performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the Port Authority shall be or be construed to be a waiver by the Lessee of any other or subsequent default in performance of any of the said terms, covenants and conditions.

(b) The payment of rentals by the Lessee for the period or periods after the Lessee shall have a right to terminate under this Section but before any such default of the Port Authority has been cured, shall not be or be construed to be a waiver by the Lessee of any such right of termination.

(c) The rights of termination described above shall be in addition to any other rights of termination provided in this Agreement and in addition to any rights and remedies that the Lessee would have at law or in equity consequent upon any breach of this Agreement by the Port Authority, and the exercise by the Lessee of any right of termination shall be without prejudice to any other such rights and remedies.

Section 38. Effect of Termination by the Lessee

(a) If the Lessee terminates the letting pursuant to the provisions of Section 37(a)(1), then the Port Authority may, at its option, pay to the Lessee the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. The failure of the Port Authority to exercise the said option will impose no obligation upon it to relet the premises.

(b) If the Lessee terminates the letting pursuant to the provisions of Section 37(a)(2) then the Port Authority may, at its option, pay to the Lessee the unamortized capital investment (as defined in Section 65 hereof), if any, of the Lessee in the premises. Such option shall be evidenced by notice in writing to the Lessee by the Port Authority within sixty (60) days after the Lessee has given notice of termination. If the Port Authority fails to exercise such option, then the Port Authority shall use its best efforts to relet the premises.

(c) If the Port Authority relets the premises prior to the date upon which this Lease would have expired but for such termination, then the net rent paid by the new tenant to the Port Authority (after deducting any costs or expenses incurred by the Port Authority in securing said new tenant and in complying with the terms of the lease to such tenant, including but not limited to costs of alteration and decoration of such premises, in the event of termination pursuant to the provisions of Section 37(a)(1), and after deducting any costs or expenses incurred by the Port Authority for the maintenance of said premises or for services furnished to the new tenant and after deducting the amounts which would have been payable as rent by the Lessee but for such termination) shall be paid over by the Port Authority to the Lessee until said amounts paid over equal the unamortized capital investment (as defined in Section 65 hereof) of the Lessee in the premises as of the date of termination. The obligation of the Port Authority to pay over to the Lessee any net rent received from such new tenant shall endure only while such new tenant continues to pay rent and occupy such premises, and only until the unamortized capital investment (as defined in Section 65 hereof) of the Lessee in such premises is unamortized, and in no event is such obligation to pay over to endure beyond the date upon which this Lease would have expired but for such termination.

Section 39. Abatement

If the Port Authority shall, for safety or other reasons, prohibit the use of the Public Landing Area at the Airport or of any substantial part thereof for foreign or domestic scheduled air transport operations for a period covering more than sixty (60) consecutive days and the Lessee shall thereby be prevented from conducting those operations at the Airport enumerated in Section 5 hereof, then upon the occurrence of such event, the Lessee at its option shall be entitled to abatement of rental during such period of prohibition and prevention. In the event that the Lessee shall exercise such option the Lessee shall be deemed to have released and discharged the Port Authority of and from all claims and rights which the Lessee may have hereunder arising out of or consequent upon such closing and the subsequent interrupted use of such Public Landing Area or part thereof during the period of prohibition.

Section 40. Services to the Lessee

(a) The Port Authority shall sell, furnish and supply to the Lessee for use on the premises and the Lessee agrees to take from the Port Authority and pay for electricity of the same voltage, phase and cycle as supplied to the premises by the public utility in the vicinity, but limited however, to serve a maximum of 6,000 KVA installed transformer capacity, at the same charge which would be made by such public utility for the same quantity under the same conditions and in the same service classification; charges shall be payable by the Lessee when billed and the quantity of electricity consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason, any meter or meters fail to record the consumption of electricity, the consumption during the period such meter or meters are out of service will be considered to be the

same as the consumption for a like period either immediately before or after the interruption as elected by the Port Authority. The Port Authority shall not discontinue the supply of electricity except upon fifteen (15) days' notice to the Lessee and unless a supply of electricity of the same voltage, phase and cycle (subject to the KVA limitation aforesaid) shall be available from another supplier and upon any such discontinuance the Lessee shall be at liberty to contract or otherwise arrange for the supply of such current after the expiration of said fifteen (15) days from any other person, firm or corporation. The Port Authority shall install the appropriate meters.

(b) The Port Authority agrees to sell, furnish and supply to the Lessee for use on the premises cold water (of the character furnished by the City of New York) in reasonable quantities through existing pipes, mains and fittings and the Lessee agrees to take such water from the Port Authority and to pay the Port Authority therefor an amount equal to that which would be charged by the municipality or other supplier of the same (whether or not representing a charge for water or other services measured by water consumption) for the same quantity, used under the same conditions and in the same service classification plus the cost to the Port Authority of supplying such water which shall not be less than ten percent (10%) nor in excess of fifty percent (50%) of the amount charged. The charge therefor shall be payable by the Lessee when billed and the quantity of water consumed shall be measured by the meter or meters installed for the purpose; provided, however, that if for any reason, any meter or meters fail to record the consumption of water, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period immediately before or after the interruption, as elected by the Port Authority. The Port Authority shall install the appropriate meters. In the event meters are not installed to measure the consumption of water under high pressure, the quantity of such water used by the Lessee will be based upon equitable estimates of consumption, which estimates shall be deemed binding on the Lessee.

(c) The Lessee shall pay to the Port Authority such of the existing and future charges for sewerage services furnished by the City of New York as are presently or may hereafter be imposed or assessed against the Port Authority in respect of the Lessee's premises or its use and occupancy thereof. In the event that the City or the State of New York is now furnishing services with or without charge therefor, which are beneficial to the Lessee in its use and occupancy of the premises, and shall hereafter impose charges or increase existing charges for such services, the Lessee agrees to pay to the Port Authority such of the charges or the increase in charges as may be imposed or assessed against the Port Authority in respect to the Lessee's premises or its use and occupancy thereof.

(d) In the event the Port Authority shall provide extermination service for the enclosed areas of the premises, the Lessee agrees to utilize the same and to pay its pro rata share of the reasonable cost thereof upon demand.

(e) The Port Authority shall not be obligated to perform or furnish any other services whatsoever in connection with the premises or any services at any time while the Lessee shall be in default hereunder after the period, if any, herein granted to cure such default shall have expired.

The Port Authority shall be under no obligation to supply services if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency. Each service to be provided by the Port Authority under this Section 40 with respect to the Federal Inspection Facilities and the Expanded Baggage Facilities shall commence as of the time the Lessee performs the necessary portion of the construction work pertaining thereto and has received the certificate of the Port Authority pertaining thereto pursuant to Section 2(h) hereof.

No failure, delay or interruption in supplying agreed services (whether or not a separate charge is made therefor) shall be or be construed to be an eviction of the Lessee or grounds for any diminution or abatement of rental, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for any claim by the Lessee for damages, consequential or otherwise.

Section 41. The Central Heating and Refrigeration Facility

The Port Authority heretofore designed, constructed and installed at the Airport certain installations consisting

(Ex. 2.a.)

conduits, machinery, devices, equipment, structures and facilities and such utility, mechanical, pump, sewer, telephone, water, electrical, fire alarm, fire protection, gas and other systems, all as are appropriate or necessary for the manufacture, production and distribution of high temperature hot water and chilled water. The Port Authority thereafter embarked on a program for the expansion and rehabilitation of the foregoing which program consisted generally of the design, construction and installation of an expansion of the existing building, two additional new cells to the existing cooling tower cell array and a complete upgrading of the existing cells, the installation of a centrifugal refrigeration unit, the construction of new and the replacement of existing high temperature hot water lines and chilled water lines with lines of greater capacity, the enlargement of the fire alarm and telephone systems, the extension of the pump system, together with such appropriate meters, heat exchangers, lines, pipes, mains, motors, pumps, devices, fixtures, transformers, cables, manholes, wires, conduits, machinery, devices, equipment, structures, and facilities as were necessary or appropriate, as well as necessary and appropriate changes to the utility, mechanical, sewer, telephone, water, electrical, fire alarm, fire protection, gas and other systems now part of the Facility, all of the foregoing being sometimes hereinafter collectively in this Section and for the purposes of this Section only called "The Central Heating and Refrigeration Facility" or "the Facility".

(a) The Port Authority agrees to sell, furnish and supply to the Lessee in reasonable quantities for use on the premises, high temperature hot water (hereinafter called "hot water") by a closed loop system to be converted for heating use, for kitchen service, for snow melting and for heating aircraft, and chilled water (hereinafter called "chilled water") for air conditioning (excluding use for air conditioning aircraft, said exclusion not to imply any broadening of permitted uses), and the Lessee agrees to take such hot water and chilled water from the Port Authority and to pay the Port Authority therefor at the times and in the manner hereinafter provided. The Lessee shall pay to the Port Authority for hot water its pro rata share of the Annual Hot Water Facility Cost as hereinafter defined and the Lessee shall pay to the Port Authority for chilled water its pro rata share of the Annual Chilled Water Facility Cost as hereinafter defined. The Lessee's pro rata share of the Annual Hot Water FAcility Cost shall be determined by multiplying the Annual Hot Water Facility Cost for each calendar year by a fraction, the numerator of which shall be the total number of BTU's of heat drawn from the hot water lines serving the premises during said calendar year, and the denominator of which shall be the Annual Total Hot Water Reading as hereinafter defined for said calendar year. The Lessee's pro rata share of the Annual Chilled Water Facility Cost shall be determined by multiplying the Annual Chilled Water Facility Cost for each calendar year by a fraction, the numerator of which shall be the total number of BTU's absorbed by the chilled water lines serving the premises during said calendar year, and the denominator of which shall be the Annual Total Chilled Water Reading as hereinafter defined for said calendar year.

(b) The Annual Total Facility Cost for each calendar year shall consist of the sum of the following:

(1) An Annual Original Facility Capital Charge in the amount of (Ex. 2.a.)

(2) An Annual Facility Expansion Capital Charge in the amount of (Ex. 2.a.)

(3) Additional Annual Facility Capital Charges, if any, each of which to be an annual amount equal to the product of the Construction Cost of each Additional Capital Improvement described in paragraph (d) hereof, determined in accordance with the provisions of paragraph (e) hereof, multiplied by the factor of 0.18525.

(4) The Annual Facility Operating and Maintenance Charge as defined in paragraph (g) hereof.

(c) (1) The Annual Hot Water Facility Cost shall be Ex. 2.a of the Annual Total Facility Cost.

(2) The Annual Chilled Water Facility Cost shall be Ex. 2.a of the Annual Total Facility Cost.

(d) The Port Authority shall have the right, in its discretion, to make improvements, alterations, enlargements, extensions, additions, repairs and replacements to the Facility, including but not limited to the extension of the hot water and chilled water service emanating from the Facility to other buildings, terminals, facilities and structures at the Airport but only within the Central Terminal Area as defined in Section 63 hereof. Each of such improvements, alterations, enlargements, extensions, additions, repairs and replacements is hereinafter called "an Additional Capital Improvement" and the same shall be and become a part of the Facility upon its completion. The Construction Cost of each Additional Capital Improvement shall be determined upon the completion thereof in accordance with the provisions of paragraph (e) hereof and shall be the Construction Cost as set forth in subparagraph (3) of paragraph (b) hereof. In instances where repairs or replacements are involved, the Port Authority shall determine, in accordance with its normal accounting practice, whether such repairs or replacements shall be included within the meaning of this paragraph (d) as an Additional Capital Improvement or be covered by the Annual Facility Operating and Maintenance Charge within the meaning of paragraph (g) hereof. The Additional Annual Facility Capital Charges for the calendar year 1976 is the amount of

(e) The term "Construction Cost" of any Additional Capital Improvement shall for the purpose of this Section and this Section only be the sum of the following applied to the Additional Capital Improvement, each Additional Capital Improvement being hereinafter referred to as a category of construction:

(i) Payments by the Port Authority to independent contractors engaged or retained by the Port Authority for the construction of any part of the category of construction or for services rendered incidental to or in connection with the category of construction, including any payments made to any contractors in satisfaction of any claims or judgments arising out of or in connection with any part of the category of construction performed by them;

(ii) Payments by the Port Authority to independent consultants, architects and engineers engaged or retained by the Port Authority to perform services incidental to or in connection with the category of construction, including any payments made to any of the foregoing in satisfaction of any claims or judgments arising out of or in connection with any portion of the work or services performed by them;

(iii) The cost of all materials, supplies, equipment and utilities (including but not limited to electricity, water and phone) used in connection with or incidental to the category of construction;

(iv) The amounts of any claims or judgments paid by the Port Authority to third persons arising out of or in connection with the category of construction, including but not limited to those for personal injury, death or damage to property;

(v) The cost of any performance bond or bonds in connection with the category of construction;

(vi) The cost of any insurance in connection with the category of construction;

(vii) Payments by the Port Authority to any user to whom hot water and cold water is supplied by the Port Authority from the Facility for the construction or installation by said user of any portion of the Facility in connection with its use which construction or installation is the obligation of the Port Authority but is performed by said user with the consent of the Port Authority in order to facilitate the construction or installation;

(viii) Payments by the Port Authority to any other third persons (excluding Port Authority employees) for work performed or services rendered in connection with or incidental to the category of construction.

Notwithstanding any reference in any provision of this Section to any Port Authority contract or contracts with respect to any category of construction, it is hereby expressly understood and agreed that the Construction Cost of any category of construction shall not be limited to the contract or contracts which may have been so mentioned in any provision of this Section, and the Construction Costs with respect to each category of construction shall include the cost of all contracts, purchase orders, extra work orders and any other agreements with a third party of whatever kind or nature for, in connection with, relating to or arising out of the planning, design or construction of the said category of construction.

(f) (1) The total amount of BTU's of heat drawn during each calendar year from the hot water lines emanating from the Facility as measured by the meters installed at all the terminals, facilities, structures and buildings at the Airport, but only within the Central Terminal Area as defined in Section 63 hereof, including the premises but excluding Buildings 181, 182 and 184, receiving such hot water from the Facility shall be ascertained for each calendar year and is hereinafter called the "Annual Total Hot Water Reading" and

the total amount of BTU's absorbed during each calendar year by the chilled water lines emanating from the Facility as measured by the meters installed at all the terminals, facilities, structures and buildings at the Airport, but only within the Central Terminal Area as defined in Section 63 hereof, including the premises but excluding Buildings 181, 182 and 184, receiving such chilled water from the Facility shall be ascertained for each calendar year and is hereinafter called the "Annual Total Chilled Water Reading". The Port Authority has installed or will install and maintain all appropriate meters and high temperature heat exchangers including those in the premises.

(2) If any meter or meters fail to record the amount of consumption, the amount of consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period either immediately before or after the interruption, as elected by the Port Authority. In making meter readings and ascertaining consumption for each calendar year, in addition to all readings to be taken during the calendar year, readings shall be taken as soon as practicable to the beginning of each calendar year or at the end of each calendar year.

(g) The service of the Port Authority in furnishing, supplying, activating, cleaning, testing, providing, maintaining, repairing, servicing and operating the Facility and the hot water and chilled water emanating therefrom is hereinafter called "the Facility Service". The Annual Facility Operating and Maintenance Charge shall mean the cost to the Port Authority of the Facility Service for each calendar year. Said Cost shall be determined in accordance with the Port Authority's normal accounting practice and shall consist of the following:

(1) The cost of all fuel, water, electricity and any other utilities and components used, consumed or employed. The cost of water shall include the cost to the Port Authority of sewage and other services based upon water charges or consumption. In the event furthermore that the City or State of New York is now furnishing services with or without charge therefor which in any way affect the Facility Service, and shall hereinafter impose charges or increase existing charges for such services, the said charges or increase in charges as may be imposed or assessed against the Port Authority shall be deemed a part of the cost under this subdivision (1);

(2) On-the-job payroll costs of employees and supervisory personnel (including Facility supervisors, foremen and clerks) working in the Facility Service, including but not limited to contributions to any retirement system or the cost of or participation in any pension plans or the like, social security, old age, survivors, disability and unemployment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees and personnel;

(3) The cost (including rental charges) of materials, equipment, machinery and supplies used and the cost of maintaining, cleaning, repairing and servicing the same;

(4) Payments to contractors and any other third persons, firms or corporations for the performance of services;

(5) Payments of premiums (or to the extent of self-insurance an amount equivalent to what the premiums would have been) for insurance on the Facility and the Facility Service, including without limitation thereto, fire and extended coverage, workmen's compensation and comprehensive general liability;

(6) Any other direct costs as charged under the Port Authority's normal accounting practice;

(7) Fifteen percent (15%) of the sum of all of the foregoing items (1) through (6).

(8) (a) There shall be deducted from item (7) hereof an amount as hereinafter defined and herein called "the utility credit".

(b) The utility credit shall mean the amount of $350,000.00, or fifteen percent of the sum of "the electricity credit", "the gas credit" and "the fuel oil credit" all as hereinafter defined, whichever is less.

(c) The electricity credit shall be an amount determined by dividing the amount paid by the Port Authority for the fuel adjustment factor portion of electricity covered by item (1) hereof by the total number of kilowatt hours (KWH) of electricity covered by said item (1) hereof, and subtracting from the quotient obtained thereby the amount of $0.00544 per KWH, and multiplying the resulting difference or $0.01710 per KWH, whichever is less, by the total KWH of electricity covered by item (1) hereof.

(d) The gas credit shall be an amount determined by dividing the amount paid by the Port Authority for illuminating gas covered by item (1) hereof by the total number of thousands of cubic feet (MCF) of illuminating gas covered by said item (1) hereof, and subtracting from the quotient obtained thereby the amount of $1.012 per MCF, and multiplying the resulting difference or $1.242 per MCF, whichever is less, by the total MCF of illuminating gas covered by item (1) hereof.

(e) The fuel oil credit shall be an amount determined by dividing the amount paid by the Port Authority for fuel oil covered by item (1) hereof by the total number of gallons of fuel oil covered by said item (1) hereof, and subtracting from the quotient obtained thereby the amount of $0.1409 per gallon, and multiplying the resulting difference or $0.2421 per gallon, whichever is less, by the total gallons of fuel oil covered by item (1) hereof.

(h) The Port Authority shall not be obligated to the Lessee to furnish the services covered by paragraph (a) hereof at any time while the Lessee shall be in default hereunder after the period, if any, herein granted to cure such default shall have expired. The Port Authority shall be under no obligation to provide said services, if and to the extent and during any period that the supplying of such services or the use of any component necessary therefore shall be prohibited or rationed by any federal, state or municipal law, rule, regulation, requirement, order or direction and if the Port Authority deems it in the public interest to comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on the Port Authority as a public agency, nor shall the Port Authority be under any obligation to provide such services if and to the extent and during any period that the same are curtailed or stopped because of the need to repair, replace, rebuild or alter the Facility. The services covered by paragraph (a) with respect to the Federal Inspection Facilities and the Expanded Baggage Facilities shall commence as of the time the Lessee performs the necessary portion of the construction work pertaining thereto and has received the certificate of the Port Authority pertaining to each such portion of the construction work pursuant to Section 2(h) hereof.

No failure, delay or interruption in supplying said services shall be or be construed to be an eviction of the Lessee or grounds for the diminution or abatement of rentals, fees or other charges, or (unless resulting from the negligence or wilful failure of the Port Authority) shall be grounds for any claims by the Lessee for damages, consequential or otherwise.

(i) In the event that by the end of any calendar year the Construction Cost of any Additional Capital Improvement completed during said year has not been finally determined, the Additional Annual Facility Capital Charge for said calendar year and all subsequent calendar years until said Cost has been finally determined shall be such of the Construction Cost of said Additional Capital Improvement as has been determined at the time the Port Authority renders corrected billings under paragraph (j) hereof and the amounts payable by the Lessee pursuant to paragraph (a) hereof for all applicable prior calendar years for said Additional Capital Improvement shall be recomputed from time to time until the final determination of said Construction Cost and any amounts owing to the Port Authority shall be promptly paid to it.

(j) The amounts payable to the Port Authority pursuant to paragraph (a) hereof are for each calendar year, but in the event the term of the Lease expires on a day other than the last day of a calendar year, then in each such event the amounts payable to the Port Authority pursuant to paragraph (a) hereof shall, for the year during which each such event occurs, be for such portion of said year during which the Port Authority provides hot water and chilled water pursuant to paragraph (a) hereof. In determining said amounts, the Annual Total Facility Cost, the Annual Hot Water Facility Cost, the Annual Chilled Water Facility Cost, the Annual Total Hot Water Reading, the Annual Total Chilled Water Reading and the readings of BTU's of heat drawn and of BTU's absorbed in the premises shall be computed, determined and ascertained for each calendar year (or portion thereof in the event mentioned in the first sentence hereof) of the term of the Lease subsequent to the commencement date. Notwithstanding the foregoing and for current monthly or other periodic billing purposes as shall from time to time be selected by the Port Authority, the Port Authority shall establish for each calendar year estimated interim rates for hot water based upon BTU's of heat drawn from the hot water lines emanating from the Facility and estimated interim rates for chilled water based upon BTU's absorbed by the chilled water lines emanating from the Facility. Such estimated rates shall be based upon the Annual Chilled Water Facility Cost, the Annual Hot Water Facility Cost, the Annual Total Hot Water Reading and the Annual Total Chilled Water Reading for the previous calendar year and upon estimated changes in the same or upon such other reasonable basis as the Port Authority may determine. The Lessee shall pay current billings as they are received. Said billings shall be based upon the interim rates and upon the total number of BTU's of heat drawn from the hot water lines serving the premises and the total number of BTU's absorbed by the chilled water lines serving the premises. Said readings shall be measured by the meters serving the premises as described in paragraph (f) hereof. The provisions of subparagraph (2) of said paragraph (f) shall apply and pertain as well for current billing purposes.

As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the Annual Hot Water Facility Cost and the Annual Chilled Water Facility Cost for the preceding calendar year and shall determine the amounts payable by the Lessee in accordance with the provisions of paragraph (a) hereof. In the event the term of the Lease expires on a day other than the last day of calendar year, the Annual Original Facility Capital Charge and the Annual Facility Expansion Capital Charge for said calendar year shall be prorated based on the number of days during said calendar year during which the Port Authority provides hot water and chilled water pursuant

to paragraph (a) hereof compared to 365. In the event an Additional Capital Improvement has been completed on a day other than the last day of a calendar year, the Additional Annual Facility Capital Charge for said Additional Capital Improvement for said calendar year shall be prorated based on the number of days during said calendar year subsequent to completion compared to 365. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority to the Lessee and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be promptly credited to it. In the event the term of this Lease expires or is sooner terminated on a date other than the last day of a calendar year, the Port Authority shall have no obligation to immediately make the computations as hereinabove provided which would determine the amounts payable by the Lessee in accordance with paragraph (a) hereof for the period during said year when the Lease was in effect. Said computation shall be made subsequent to the end of the calendar year as hereinabove provided, and if any monies are due to the Port Authority they shall be paid by the Lessee promptly and if any monies are due to the Lessee they shall be promptly paid to it by the Port Authority less such amounts, if any, then owing and due to the Port Authority from the Lessee.

(k) Notwithstanding anything contained in this Section, the Port Authority's obligation to provide hot water and chilled water to the premises shall be limited by the safe and efficient operating capacity of the Facility.

(l) The Lessee has installed or shall install all machinery, equipment and facilities required to be installed in the premises in order to utilize said high temperature hot water and chilled water and has tied into or shall tie into the Facility at the mechanical equipment rooms constructed by the Lessee on the premises, but in the event that any of such rooms are located at a point 100 feet or more from the point or points at the boundary of the premises to which the Port Authority shall have brought high temperature hot water and chilled water, the Lessee shall be responsible for the cost of the installations in excess of 100 feet required to bring high temperature hot water and chilled water to the rooms, which installations shall be a part of the Facility.

(m) The Port Authority shall keep in an office or offices within the Port of New York District such books, records and accounts as may be necessary or appropriate to record the items and transactions affecting the computation of payments to be made by the Lessee under this Section. The Lessee or its designated representative shall have the right to examine the books and records of the Port Authority during regular business hours in connection with or in respect to any cost incurred, charged, allocated or prorated to the construction, operation or maintenance of the Central Heating and Refrigeration Facility to the extent that such affect the computation of such payments by the Lessee, it being understood that the Lessee shall have no right to inspect such parts thereof as pertain to any cost or expense which is part of the cost of administration and overhead which is covered by item (7) of paragraph (g) of this Section.

Section 42. General Airport Agreement

The parties hereto are also parties to a certain agreement and lease of premises entitled "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented and amended) and bearing Port Authority file number designation AY-351 which governs the rights, privileges, duties and obligations of and between the parties hereto with respect to the Airport, sometimes herein called the "General Airport Agreement".

The parties hereto agree that in the event any provisions contained in said Lease AY-351 are inconsistent or otherwise in conflict with any one or more provisions of this Lease, the provisions of this Lease shall apply with respect to the premises let hereunder.

Notwithstanding the foregoing provisions of this Section 42, the Lessee shall have the same rights and privileges under this Lease with respect to "Ramp Service", "Subsidiaries", "Airline Contractors," "Fees or Charges Against Employees, Passengers and Suppliers" and "Federal Control and Operation of Airline", to the extent applicable, as said phrases are used in Lease AY-351 as if the provisions of Section 4.10 of Title IV, Sections 8.14, 8.15 and 8.19 of Title VIII, and Section 11.06 of Title XI of Lease AY-351 were herewith incorporated in full as to the subject matter of this Lease and in any of such matters the language of such cited Sections of Lease AY-351 shall be deemed to apply to the premises.

The foregoing provisions of this Section 42 shall apply and obtain only up to the expiration or earlier termination of the General Airport Agreement and thereafter shall be void and of no further force or effect.

Section 43. Associated and Affiliated Companies

In addition to the purposes specified in Section 5 hereof the Lessee may use the premises for the following purposes and for activities reasonably required for such purposes:

(1) For the reservation of space and the sale of tickets for transportation on aircraft operated by Associated or Affiliated Companies of the Lessee.

(2) For the reservation of space and the sale of tickets for transportation by other carriers but only as an incident to or in connection with transportation performed or to be performed by the Lessee's Associated or Affiliated Companies or as an incident to or in connection with the cancellation of such transportation, or for the accommodation or convenience of the incoming or outbound passengers of such Associated or Affiliated Companies at the Airport.

(3) For the clearance, checking and rendering of service to passengers of the Lessee's Associated or Affiliated Companies and for the furnishing of information service to such passengers and the general public.

(4) For providing rooms or space for the special handling of or the furnishing of special services to any of the passengers, guests, or invitees of the Lessee's Associated or Affiliated Companies, subject to the provisions of Section 51 hereof.

(5) For the handling of baggage of passengers of the Lessee's Associated or Affiliated Companies including baggage and parcels such passengers decide to send as air cargo.

(6) For the handling of unclaimed baggage and lost and found articles of the Lessee's Associated or Affiliated Companies.

(7) For the conduct of operations, traffic, communications, reservations and administrative office functions and activities in connection with air transportation performed by the Lessee's Associated or Affiliated Companies.

(8) For the preparation, packaging and storage of food, beverages and commissary supplies to be consumed on aircraft operated by the Lessee's Associated or Affiliated Companies.

(9) For the storage of repair parts, supplies and other personal property owned by the Associated or Affiliated Companies of the Lessee and for the performance of minor repairs to personal property of such Associated or Affiliated Companies.

(10) For the storage of such Associated or Affiliated Companies fuel and lubricants as may be approved by the Port Authority.

(11) For the operation of a cafeteria for over-the-counter sales to officers and employees of the Lessee's Associated or Affiliated Companies and their families and to occasional business guests of such officers and employees (other than passengers of such Associated or Affiliated Companies) of food, beverages and other merchandise normally sold in such an establishment at no profit to the Lessee or its Associated or Affiliated Companies and either directly by the Lessee or by an independent contractor who has received a permit from the Port Authority so to do.

(12) For use as crew quarters to be used by personnel of the Lessee's Associated or Affiliated Companies during layovers between flights and for the establishment of lounges for employees of such Associated or Affiliated Companies.

(13) For the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies of the Lessee's Associated or Affiliated Companies.

(14) For the parking and storage of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(15) For the fueling and servicing of aircraft and ramp equipment operated by Associated or Affiliated Companies of the Lessee.

(16) For the performance of aircraft maintenance of aircraft operated by the Lessee's Associated or Affiliated Companies subject to the limitations imposed by Section 9(j) hereof.

(17) For the temporary storage of baggage, mail and air cargo to be carried in aircraft operated by the Lessee's Associated or Affiliated Companies.

The loading or unloading on the premises of all aircraft used principally for cargo is expressly prohibited.

For the purposes of this Lease, the phrase "Associated and Affiliated Companies" when used herein shall be construed to mean any corporation or foreign entity which is an "Associated Company" or an "Affiliated Company" of the Lessee within the meaning of such phrases as defined in Section 17.01 of the General Airport Agreement, as it may be amended from time to time.

Any act or thing which the Lessee may do for its Associated and Affiliated Companies pursuant to this Lease may be done by it at the same place and under the same circumstances either directly or through a contractor or contractors of its choice, provided, that such acts and things shall be done through a contractor or contractors only if by the terms of this Lease the Lessee may do the same acts or things for itself through contractors, and then only under the same circumstances and subject to the same conditions, and provided further that this Section shall not be deemed to grant to the Lessee's Associated and Affiliated Companies, any greater rights or privileges than are granted to the Lessee under the Lease.

The Lessee's Associated and Affiliated Companies and the officers, employees, passengers, patrons, contractors, suppliers of material, furnishers of services and invitees of the Lessee shall have such right of ingress and egress with respect to the premises and the right of way over highways at the Airport as are described in Section 56 hereof, subject, however, to the further provisions of said Section 56.

In the event any Associated or Affiliated Companies of the Lessee has entered or hereafter enters into a separate lease or other written agreement with the Port Authority for the use of any premises, space, or facilities at the Airport (whether or not containing provisions similar to those in this Section 43), then any provisions of this Section 43 which are in conflict with or inconsistent with such provisions under such separate lease or agreement shall be null and void.

The foregoing provisions of this Section 43 shall apply and obtain notwithstanding the expiration or earlier termination of the General Airport Agreement unless different provisions are agreed upon in any successor agreement between the parties to the General Airport Agreement, if, as and when there is such a successor agreement, there being no obligation of any kind hereunder to enter into a successor agreement.

Section 44. Restaurant and Bar

The Port Authority shall enter into a contract or agreement with a qualified Restaurant Operator (hereinafter referred to as the "Operator"), authorizing such Operator to operate one or more establishments at the Airport, in passenger terminal facilities of all Aircraft Operators desiring the same, for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in such passenger terminal facilities.

The contract between such Operator and the Port Authority shall provide that the Operator shall pay the Port Authority a percentage fee based upon the gross receipts of such Operator from the sale of food, alcoholic and non-alcoholic beverages.

The Lessee agrees that it will furnish to the Operator sufficient and suitable space within the premises to carry on any operation as may be desired by the Lessee. The Lessee will bring to the space to be occupied by the Operator pipes, wires and conduits for the supply of electricity, gas and water together with necessary steam and waste lines for use in connection with the operation.

The contract between the Port Authority and the Operator will provide that the Operator will furnish at its expense all necessary fixtures, equipment, furniture and personal property required in connection with the operation, will perform all work necessary or required to finish off the space, including the finishing of the floors and ceilings from the structural slab and the walls from the rough partitions, the decor, color scheme and location of fixtures to be subject to the approval of the Lessee.

The Port Authority shall pay the Lessee for the use of the space by the Operator a fee equivalent to 80% of the percentage fee collected by the Port Authority from the Operator. The fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 50 hereof.

If for any reason the Lessee elects to have such establishment operated by a Person other than the Port Authority's Operator, it may employ any other Person of its choice (which other Person may be the Lessee) to operate such establishment provided such other Person first obtains a permit from the Port Authority authorizing such Person to operate the establishment at the Airport in or on the premises leased to the Lessee. Prior to the issuance of any such permit such Person may be required to submit to the Port Authority evidence satisfactory to the Port Authority of its qualifications, the scope of its proposed operations and the standards of service it will provide. Any such permit will provide that such Person will conduct its operations thereunder in a first-class manner in accordance with the best practices in the industry and shall comply with the maximum Port Authority standards with respect to service, health, sanitary and safety measures. Such other Person shall be required to pay to the Port Authority a fee but such fee shall not in any event exceed the fees or charges that would be retained by the Port Authority if such establishment were operated by a regular Operator of the Authority. The permit will not be revoked without cause, without the prior consent of the Lessee.

The contract between the Operator and the Port Authority will contain appropriate provisions permitting cancellation of such contract on short notice in the event the service of the Operator is unsatisfactory to the Lessee. In the event of such cancellation the Lessee agrees to reimburse the Operator for its unamortized investment in the fixtures, equipment, furniture and personal property furnished in connection with the operation, and the unamortized cost of the work performed in finishing off the space and title to such fixtures, equipment, furniture and personal property shall thereupon vest in the Lessee.

In the event the Operator selected by the Lessee to provide food, alcoholic and non-alcoholic beverages and similar items for sale and consumption on the premises is the same Operator providing plane meal and hangar meal service to the Lessee and is a wholly owned subsidiary of the Lessee, the fees to be paid to the Port Authority shall apply only to the gross receipts of the Operator from the sale of food, alcoholic and non-alcoholic beverages on the premises. If the Lessee is the Operator, it may provide an employee cafeteria (subject to and in accordance with paragraph (11) of Section 5 hereof) without payment of fees to the Port Authority.

Section 45. Vending Machines, Public Telephones, Advertising Displays

If requested by the Lessee the Port Authority, by itself or through contractors, lessees, or permittes, shall install and maintain in the premises vending machines, public telephones, and advertising displays, at such locations and to such extent as requested by the Lessee. The Lessee shall provide the necessary wires and conduits for the supply of electricity for such machines and displays.

The Port Authority shall require its contractors, lessees, or permittees to pay a percentage fee based upon the gross receipts received from such vending machines, public telephones, and advertising displays.

The Port Authority shall pay the Lessee an annual fee equivalent to 80% of the percentage fee collected by the Port Authority from its contractors, lessees or permittees aforementioned. The fees payable hereunder shall be paid in the same manner, under the conditions and at the times, provided in Section 50 hereof.

Section 46. Insurance Covering Air Transportation

The Port Authority shall enter into contracts or agreements with qualified insurance vendors requiring such vendors to sell or arrange for the sale, at the premises, of insurance covering air transportation, of such types and coverages as may be required by the Lessee.

The contract between the insurance vendor and the Port Authority shall provide that such vendor shall pay to the Port Authority a basic rental for the space occupied by such vendor in the premises in connection with the sale of such insurance. The basic rental will be based upon the cost to the Lessee of providing such space to the vendor. In determining the cost to the Lessee there shall be considered the construction cost of the premises, and an appropriate allocation of the cost of providing and maintaining public areas within the premises. The amount of the basic rental to be paid by the vendor shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated provided, however, in no event shall such basic rental be computed at a rate less than $8.00 per square foot per annum.

The contract shall further provide that the vendor shall pay to the Port Authority an amount equal to a percentage of the vendor's gross premiums from the sale of such insurance, less the amount of any basic rental paid by the vendor.

The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental. The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 50 hereof.

The contract with the insurance vendor will provide that: (a) if the Lessee so requests, the vendor shall provide a general information service to the public; and (b) the vendor shall not be required to provide a counter for the sale of insurance if, in its opinion, there will be insufficient patronage to support such a counter; and (c) the vendor shall not be required to continue to provide at any designated location vending machines for the sale of insurance when the gross premiums from any such machines at any such location is less than $200 per month, provided, however, if twenty-four (24) hour counter coverage is not provided there shall be at least one machine in the premises; and (d) the provisions of insurance policies and the minimum coverage offered shall be acceptable to the Lessee.

The location of insurance counters and insurance vending machines shall be determined by the Lessee. The vendor will furnish and install at its expense all necessary fixtures, machines, counters and equipment required in connection with its operation. The Lessee shall provide the necessary wires and conduits for the supply of electricity for use in connection with the vendor's operation.

Section 47. Newsstands

The Port Authority shall enter into contracts or agreements with a qualified newsstand operator or operators requiring such operators to operate stands on the premises, for the sale at retail of newspapers and magazines; cigarettes, cigars and other supplies for smoking; and candy, chewing gum, playing cards and paper-bound books to the extent required by the Lessee.

The contract between the newsstand operator and the Port Authority shall provide that such operator shall pay to the Port Authority a basic rental for the space occupied by such operator in the premises in connection with the operation of the newsstand. The basic rental will be based upon the cost to the Lessee of providing such space to the operator. In determining the cost to the Lessee there shall be considered the construction cost of the premises, the cost of operation and maintenance of the premises and an appropriate allocation of the cost of

providing and maintaining public areas within the premises. The amount of the basic rental to be paid by the operator shall be agreed upon between the Port Authority and the Lessee, when the costs aforementioned are determined or can be reasonably estimated, provided, however, in no event shall such basic rental be computed at a rate less that $8.00 per square foot per annum. The Lessee shall furnish without additional charge, a reasonable amount of storage space for the use of the newsstand operator.

The contract shall further provide that the operator shall pay to the Port Authority a percentage fee based upon the gross receipts of such operator from the operation of such newsstand, less the amount of any basic rental paid by the operator.

The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental. The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the manner, under the conditions, and at the times provided in Section 50 hereof.

The contract with the newsstand operator will provide that the operator will be permitted to sell at retail on the premises, only such merchandise as is normally sold at newsstands in operation at Port Authority Airports. If there is a demand or need by travelers and other users of the premises for other merchandise and there is no other tenant, permittee or licensee of the Port Authority available to provide such merchandise the scope of the newsstand's operation may be increased provided, that no merchandise objectionable to the Lessee shall be sold.

The location of newsstands and appropriate storage space for the use of the newsstand operator shall be determined by the Lessee. The operator will furnish and install at its expense all necessary fixtures, stands, counters and equipment required in connection with its operation and all construction work necessary to accommodate such installations except that the Lessee shall provide the necessary wires and conduits for the supply of electricity for use in connection with the operation of the newstand. The contract with the newsstand operator will contain appropriate provisions permitting cancellation of such contract on short notice in the event the operation is unsatisfactory to the Lessee. In the event of such cancellation the Lessee agrees to reimburse the operator for its unamortized investment in the fixtures, stands, counters and equipment furnished in connection with the operation, and the unamortized cost of the construction work performed to accommodate such installations, and title to such fixtures, stands, counters and equipment furnished in connection with the operation shall thereupon vest in the Lessee.

If the Port Authority does not have another newsstand operator satisfactory to the Lessee, the Lessee may make its own arrangements with a newsstand operator of its choice provided such other newsstand operator first obtains a permit from the Port Authority authorizing such person to operate the newsstand in the premises leased to the Lessee. Prior to the issuance of any such permit, such newsstand operator may be required to submit to the Port Authority evidence satisfactory to the Port Authority of its qualifications, the scope of its proposed operations and the standards of service it will provide. Any such permit will provide that such operator will conduct its operations thereunder in a first class manner in accordance with the best practices in the industry and shall comply with the maximum Port Authority standards with respect to service, health, sanitary and safety measures. Such other operator may be required to pay to the Port Authority a fee but such fee shall not, in any event, exceed the fees or charges that would be retained by the Port Authority if such newsstand were operated by a qualified newsstand operator of the Port Authority. The permit will not be revoked without cause, without the prior consent of the Lessee.

Section 48. Sale of Other Merchandise

If the Lessee requests that additional consumer services be provided in the premises for the sale of other items or the furnishing of other services the Port Authority will endeavor to secure a qualified tenant, permittee or licensee (hereinafter referred to as the "Operator"), to furnish such consumer services and shall enter into contracts or agreements with such Operator requiring it to furnish the items or services to the extent required by the Lessee.

If the Lessee wishes to enter into an agreement to provide coin operated lockers within the premises, it may do so by contract directly with an operator of such lockers provided, however, that such operator and such contract shall be subject to the prior written approval of the Port Authority. The Port Authority shall have no obligation of any kind with respect to such contract and Section 50 of the Lease shall not apply thereto.

The contract between the Operator and the Port Authority shall provide that such Operator shall pay to the Port Authority a basic rental for the space occupied by such Operator in the premises in connection with the furnishing of the consumer services. The basic rental will be based upon the cost to the Lessee of providing such space to the Operator. In determining the cost to the Lessee there shall be considered the construction cost of the premises and the cost of operation and maintenance of the premises. The amount of the basic rental to be paid by the Operator shall be agreed upon between the Port Authority and the Lessee, provided, however, in no event shall such basic rental be computed at a rate less than $5.00 per square foot per annum.

The contract shall further provide that the Operator shall pay to the Port Authority a percentage fee based upon the gross receipts of such Operator from the operation of such consumer service, less the amount of any basic rental paid by the Operator.

The Port Authority shall pay to the Lessee the amount of the basic rental. If the percentage fee actually paid to the Port Authority exceeds the amount of the basic rental, the Port Authority shall retain the percentage fee up to the amount of the basic rental. The excess, if any, remaining shall be divided equally between the Port Authority and the Lessee. The rental and fees payable hereunder shall be paid in the same manner, under the conditions, and at the times provided in Section 50 hereof.

The Operator will furnish and install at its expense all necessary fixtures, stands, counters and equipment required in connection with its operation and all construction work necessary to accommodate such installations.

In the event the Port Authority is unable to secure a qualified tenant, permittee or licensee to provide the consumer services requested by the Lessee, in accordance with the terms and conditions set forth in this Section, the Lessee may make its own arrangements with a tenant, permittee or licensee of its own choice, subject to the Port Authority's approval of such tenant, permittee or licensee. Such approval may include limitations as to the scope of the activities of such tenant, permittee or licensee in the light of the availability of similar services in the Central Terminal Area.

Section 49. Subletting of Lessee's Premises

Irrespective of whether the Persons selected in accordance with this Agreement to furnish the Consumer Services set forth in Sections 44, 45, 46, 47 and 48 hereof have contracts with or are contractors or permittees of the Port Authority, the Lessee may require that such Persons enter into separate agreements or subleases with the Lessee as a condition precedent to the occupancy of space within and the operation of such establishments upon the Lessee's premises, provided, however, that all such Persons must have first obtained a permit from the Port Authority authorizing them to operate such establishments. The terms and provisions of the said agreements or subleases shall not be inconsistent with the terms of this Agreement except that the same may provide for cancellation by the Lessee on short notice in the event the services furnished by such Persons are unsatisfactory to the Lessee.

Prior to the issuance of any of the aforementioned permits, such Persons may be required to submit to the Port Authority evidence satisfactory to the Port Authority of their qualifications, the scope of their proposed operations and the standards of service they will provide. Any such permits will provide that such Persons will conduct their operations thereunder in a first-class manner in accordance with the best practices in the industry and shall comply with the

maximum Port Authority standards with respect to service, health, sanitary and safety measures. Such Persons shall be required to pay to the Port Authority a fee but such fee shall not in any event exceed the fees or charges that would be retained by the Port Authority if their respective establishments were operated by regular Operators of the Port Authority.

Section 50. Obligations in Connection with Consumer Services Agreements

The Port Authority shall administer all contracts and agreements with its tenants, licensees or permittees furnishing consumer services at the premises. All such contracts and agreements shall contain provisions, among others, providing that such tenant, licensee or permittee shall:

(a) Take all reasonable measures in every proper manner to maintain, develop and increase the business conducted by it at the premises;

(b) Not divert or cause or allow to be diverted any business from the premises;

(c) Maintain in accordance with accepted accounting practice, records and books of account recording all transactions at, through or in anywise connected with the premises, which records and books of account shall be kept at all times within the Port of New York District and permit, in ordinary business hours during such time, the examination and audit by the officers, employees and representatives of the Port Authority of such records and books of account;

(d) Permit in ordinary business hours the inspection by the officers, employees and representatives of the Port Authority or the Lessee of any equipment used by the tenant, licensee or permittee, including but not limited to cash registers and recording tapes;

(e) Furnish on or before the twentieth day of each month following the commencement date of the operation a sworn statement of gross receipts arising out of the operations of the tenant, licensee or permittee, for the preceding month;

(f) Install and use such cash registers, sales slips, invoicing machines and any other equipment or devices for recording orders taken or services rendered as may be appropriate to the business and necessary or desirable to keep accurate records of gross receipts;

(g) Furnish good, prompt and efficient service, adequate to meet all demands therefor at the premises; furnish said service on a fair, equal and non-discriminatory basis to all users thereof; and charge fair, reasonable and non-discriminatory prices for all items and/or services which it is permitted to sell and/or render; and

(h) Promptly observe, comply with and execute the provisions of any and all present and future governmental laws, rules, regulations, requirements, orders and directions which may pertain and apply to its operations or the use and occupancy of the premises.

The Port Authority does not guarantee the payments of rentals and fees required to be paid by the tenant, licensee, permittee or operator pursuant to the provisions of Sections 44, 45, 46, 47 and 48 hereof and shall have no obligation to the Lessee to make any payments to the Lessee until the fees or rentals are actually collected from the tenant, licensee, permittee or operator. The Port Authority will advise the Lessee of all accounts remaining delinquent for more than sixty (60) days and will consult with the Lessee as to the appropriate steps to effect collection. A default by the Port Authority in observing the provisions of the preceding sentence shall not result in the imposition of any liability on the Port Authority with respect to the Lessee.

Section 51. Club Rooms

In the event the Lessee provides any rooms or space for the special handling of or the furnishing of special services to any of its passengers, guests or invitees it shall furnish such rooms or space at its expense and without cost to the Port Authority. The Lessee agrees that any food, alcoholic or non-alcoholic beverages and similar items sold or furnished to the Lessee's passengers, guests or invitees shall be obtained by the Lessee from the Operator who has been authorized to operate establishments for the sale of food, alcoholic and non-alcoholic beverages and similar items for consumption in passenger terminal facilities at the Airport. All monies paid or payable to the Operator for such sales shall be included in the gross receipts of the Operator. In the event the Lessee wishes to use its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items it may do so; provided that the food, alcoholic and non-alcoholic beverages are obtained by the Lessee from the Operator and provided that monies paid therefor, in that event, shall not be included in the gross receipts of the Operator. If the Lessee uses its own personnel for serving food, alcoholic or non-alcoholic beverages and similar items, the Lessee will not be obligated to pay a fee to the Port Authority which would be greater than the fee that would be retained by the Port Authority if the food, alcoholic or non-alcoholic beverages and similar items were served by the Operator.

Section 52. Ground Transportation Services

The Lessee shall make available within the premises at reasonable rental rates, such counter spaces and at such locations as may be determined by the Port Authority and the Lessee for use by limousine, bus, car rental,taxi and other ground transportation operators at the Airport, all of the foregoing being hereinafter called "the ground transportation operators". The Lessee shall enter into an agreement only with a ground transportation operator designated or approved by the Port Authority, covering the occupancy of said counter space, which agreement may provide for the payment of a basic rental (but no other rental, charge or fee of any kind) to the Lessee for the counter space, provided that such basic rental shall represent a fair and reasonable rental for the counter space. The Port Authority shall have the right to, in its agreement with any ground transportation operator, impose obligations on the ground transportation operator with respect to its operation at the counter space, including but not limited to the dissemination of information applicable to said service, and may charge such fees payable to the Port Authority as it may determine.

Section 53. Observation Deck

In the event the Lessee provides an Observation Deck in connection with the Lessee's operations under the Lease and such Deck is open to the public generally the Lessee shall charge a fee for admission upon such Observation Deck. Such fee shall be established by the Port Authority which shall be uniform throughout the Airport. The Lessee shall pay to the Port Authority a percentage fee equal to 30% of the gross receipts received by the Lessee from the operation of the Observation Deck.

Section 54. Automobile Parking

The Lessee shall prevent all persons from parking automobiles on the premises, except that automobiles may be permitted to be on the premises for a reasonable period of time for the purpose of discharging or picking up passengers and for official and special purposes.

Section 55. Force Majeure

Neither the Port Authority nor the Lessee shall be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortages of material, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, tides, riots, rebellion, sabotage or any other circumstances for which it is not responsible and which are not within its control; provided, however, that this provision shall not apply to failures by the Lessee to pay the rentals specified in Section 4 and shall not apply to any other charges or money payments; and, provided, further, that this provision shall not prevent either party from exercising its right of termination under Sections 20 and 37 hereof, and shall not prevent the Lessee from exercising its right to an abatement of rental under Sections 4 and 39 hereof.

Section 56. Ingress and Egress

The Lessee, its officers, employees, passengers, patrons, invitees, contractors, suppliers of material and furnishers of services, shall have the right of ingress and egress between the premises and the city streets outside the Airport over such highways at the Airport as may be made available from time to time by the Port Authority for use by the public. Such right shall be exercised in common with others having rights of passage within the Airport. The use of any such way shall be subject to the rules and regulations of the Port Authority which are now in effect or which may hereafter be promulgated for the safe and efficient operation of the Airport. The Port Authority may at any time, temporarily or permanently close or consent to or request the closing of, any such way or any other area at, in or near the Airport presently or hereafter used as such, so long as a reasonably equivalent means of ingress and egress remains available to the Lessee. The Lessee hereby releases and discharges the Port Authority, and all municipalities and other governmental authorities, and their respective successors and assigns of and from any and all claims, demands or causes of action which

the Lessee may now or at any time hereafter have against any of the foregoing, arising or alleged to arise out of the closing of any way or other area, whether within or outisde the Airport provided a reasonably equivalent means of access is available. The Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the premises or in any streets, ways and walks near the premises.

Section 57. Federal Inspection

The Lessee has advised the Port Authority that it intends to make available to the United States a portion or portions of the premises for the inspection of the Lessee's passengers and their baggage by the United States for United States customs, immigration, public health and other governmental purposes, if the United States will accept and use the same. The Port Authority shall have no obligation or responsibility of any kind with respect to the foregoing or the arrangements that must be made by the Lessee with the United States and any agencies thereof having jurisdiction.

Section 58. Helicopter Operations

The Lessee hereby acknowledges that the Lease does not grant to it any right and the Lessee does not have any right to use or permit the use of any portion of the premises for the landing or taking off of helicopters. In the event that the Port Authority determines that approval for such use will be given at any time hereafter, the same shall be granted only in accordance with such terms and conditions, including but not limited to fees, charges and rights of user, as the Port Authority may set forth in a supplement to the Lease, which is duly executed by the Lessee and the Port Authority.

Section 59. Non-Discrimination

(a) Without limiting the generality of any of the provisions of the Agreement, the Lessee, for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of the premises, (2) that in the construction of any improvements, on, over, or under the premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Lessee shall use the premises in compliance with Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended, and any other present or future laws, rules, regulations, orders or directions of the United States of America with respect thereto which from time to time may be applicable to the Lessee's operations at the Airport, whether by reason of agreement between the Port Authority and the United States Government or otherwise.

(b) The Lessee shall include the provisions of paragraph (a) of this Section in every agreement or concession it may make pursuant to which any person or persons, other than the Lessee, operates any facility at the Airport providing services to the public and shall also include therein a provision granting the Port Authority a right to take such action as the United States may direct to enforce such covenant.

(c) The Lessee's noncompliance with the provisions of this Section shall constitute a material breach of this Agreement. In the event of the breach by the Lessee of any of the above nondiscrimination provisions the Port Authority may take any appropriate action to enforce compliance; or in the event such noncompliance shall continue for a period of twenty (20) days after receipt of written notice from the Port Authority, the Port Authority shall have the right to terminate the Agreement and the letting hereunder with the same force and effect as a termination under the Section of this Agreement providing for termination for default by the Lessee in the performance or observance of any other term or provision of this Agreement, or may pursue such other remedies as may be provided by law; and as to any or all of the foregoing, the Port Authority may take such action as the United States may direct.

(d) The Lessee shall indemnify and hold harmless the Port Authority from any claims and demands of third persons including the United States of America resulting from the Lessee's noncompliance with any of the provisions of this Section and the Lessee shall reimburse the Port Authority for any loss or expense incurred by reason of such noncompliance.

(e) Nothing contained in this Section shall grant or shall be deemed to grant to the Lessee the right to transfer or assign this Agreement, to make any agreement or concession of the type mentioned in paragraph (b) hereof, or any right to perform any construction on the premises.

Section 60. Ground Transportation

(a) The Lessee may arrange for the transportation to and from the Airport of its employees and their baggage (and such employees and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called "the Employee Surface Carrier or Carriers") of its choice, provided, that such Employee Surface Carrier or Carriers are at all times Ground Carrier Permittees of the Port Authority as defined in paragraph (b) hereof and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the gross receipts received from the ground transportation of employees and their baggage by the Employee Surface Carrier providing such service, or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by the passengers and are directly payable to the taxing authority by the Lessee or by the Employee Surface Carrier) shall be paid to the Port Authority. No fee shall be paid by the Lessee to the Port Authority in connection with the ground transportation of employees and their baggage if the Lessee operates the service itself and if the Lessee makes no charge to its employees and their baggage therefor.

(b) As of the Commencement Date as defined in paragraph (c) hereof, the Port Authority shall endeavor to issue permits to at least 12 qualified surface carriers (herein called "the Ground Carrier Permittees") which Permits shall grant to said Ground Carrier Permittees the privilege of providing a service for the transportation to and from the Airport of employees and their baggage of all Aircraft Operators at the Airport. Each Permit shall provide that the Port Authority shall have the right at any time to revoke the Permit granted to any Ground Carrier Permittee with or without cause and regardless of whether any such Permittee is an Employee Surface Carrier of the Lessee and regardless of any agreement between the Lessee and its Employee Surface Carrier. Without limiting the foregoing right, if the Ground Carrier Permittee selected by the Lessee shall at any time fail to pay the Port Authority ten percent (10%) or such other percentage of its gross receipts as established pursuant to paragraph (e) hereof as required under the Permit, the Port Authority shall have the right in addition to all other rights and remedies, to deny such Permittee entrance upon the Airport for the purpose of transporting employees and their baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same.

In the event that there should at any time during the term of this Lease be less than 12 Ground Carrier Permittees in operation at the Airport the Lessee shall have the right to engage an Employee Surface Carrier of its choice to provide the service set forth in paragraph (a) hereof, subject, however, to the prior and continuing approval of the Port Authority, and provided that such Employee Surface Carrier agrees to become a Permittee of the Port Authority and to pay a percentage of its gross receipts to the Port Authority in accordance with paragraphs (a) and (e) hereof and only for so long as such Permittee observes and complies with the terms of its Permit, it being understood that said Employee Surface Carrier may be restricted to serving the Lessee at the Airport. At such time thereafter as there is in operation at the Airport at least 12 Ground Carrier Permittees, the Permit with the said Employee Surface Carrier may be revoked by the Port Authority and the Lessee shall thereupon select an Employee Surface Carrier from the Ground Carrier Permittees of the Port Authority. Nothing contained hereunder shall be deemed to preclude the Port Authority from issuing from time to time during the term of the Lease Permits to more than 12 Ground Carrier Permittees. The Permits with the Ground Carrier Permittees may contain privileges other than those set forth in the first subparagraph of this paragraph (b), including but not limited to the privilege to transport passengers and baggage of Aircraft Operators. All Permits shall contain such terms or provisions as the Port Authority may deem from time to time necessary or desirable.

(c) The Port Authority hereby states its intention to attempt to incorporate, into all existing leases and into all new leases with all Scheduled Aircraft Operators covering passenger terminal facilities within the Central Terminal Area, provisions having the same effect as the provisions of paragraphs (a) and (b) hereof. The term "Commencement Date" as used in this Section shall mean the date specified in a written notice from the Port Authority served upon the Lessee and upon all Scheduled Aircraft Operators who are lessees of passenger terminal facilities within the Central Terminal Area, it being understood that such notice shall not be served unless and until all said Scheduled Aircraft Operators have executed agreements with the Port Authority incorporating provisions having the same effect as the provisions of paragraphs (a) and (b) hereof into their leases with the Port Authority covering passenger terminal facilities within the Central Terminal Area. The provisions of this Section other than the foregoing provisions of this paragraph (c) shall be applicable as well to Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or handling agreement with any Unit Terminal Lessee or with any East or West Wing Building Lessee (the foregoing not to waive the requirement for Port Authority consent) as said lessees are defined in Section 63 of the Lease.

(d) For the period prior to the Commencement Date hereunder, the following provisions of this paragraph (d) shall be in effect in lieu of the provisions of paragraph (a) hereof:

The lessee may arrange for the transportation to and from the Airport of passengers, employees and baggage (and such passengers, employees and baggage only) either directly or by contract with a surface carrier or carriers (hereinafter called "Passenger Surface Carrier or Carriers") of its choice, subject, however, to the prior and continuing approval of the Port Authority and provided, that such Passenger Surface Carrier or Carriers agree to become Permittees of the

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Port Authority and provided, further, that ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of the gross receipts received from the ground transportation of passengers, employees and baggage by the Passenger Surface Carrier providing such service or by the Lessee, including all advertising and any other revenues of any type arising out of or in connection with said service (excluding only local, state and federal transportation taxes which are separately stated to and paid by and are directly payable to the taxing authority by the Lessee or by the Passenger Surface Carrier) shall be paid to the Port Authority. If the Passenger Surface Carrier designated by the Lessee shall at any time fail to pay to the Port Authority ten percent (10%) or such lesser percentage as may be set pursuant to paragraph (e) hereof of its gross receipts as aforesaid when billed therefor by the Port Authority, the Port Authority shall have the right to deny such carrier entrance upon the Airport for the purpose of transporting passengers, employees and baggage as aforesaid to and from the Airport and the Lessee shall no longer use the same. No fee shall be paid by the Lessee to the Port Authority in connection with the ground transportation of officers and employees of the Lessee if the Lessee operates the service itself and if the Lessee makes no charge to its employees and officers therefor. The occasional non-recurring employment by the Lessee of a surface carrier who is not a Permittee of the Port Authority shall not be deemed to be a breach of this Section by the Lessee; the foregoing, however, shall not affect the right of the Port Authority to the percentage fee with respect to such surface carrier.

For the period subsequent to the Commencement Date hereunder, the foregoing provisions of this paragraph (d) shall continue in effect with respect to passengers and their baggage only of the Lessee and wherever the phrase "passengers, employees and baggage" appears in the foregoing provisions it shall be deemed amended to read "passengers and their baggage".

(e) It is recognized that the Port Authority has established a five percent fee with respect to the service covered by paragraphs (a) and (d) hereof in lieu of the ten percent fee therein stated. It is hereby specifically understood and agreed that the fact that said fee is presently five percent shall not constitute a waiver by the Port Authority of its right to impose a percentage fee of ten percent as provided in paragraphs (a) and (d). It is hereby specifically agreed that the Port Authority shall have the right at any time and from time to time during the term of this Lease to revise the percentage fee it shall charge the Ground Carrier Permittees, other permittees and the Lessee as provided in paragraphs (a) and (d) hereof but in no event shall said fee be greater than ten percent. The Port Authority shall notify the Lessee of any such revision.

(f) The Lessee may arrange for the transportation to and from the Airport of freight and other cargo of the Lessee either directly or by contract with the surface carrier or carriers of its choice. No Permit or fee shall be required of the Lessee or its contractor for the picking up from or the delivery to of freight or other cargo from or to the Lessee. No fee shall be paid to the Port Authority by the Lessee or its contractor for the privilege of transporting freight or cargo of the Lessee on the surface as aforesaid. If such contractor of the Lessee enters into a Lease or other agreement with the Port Authority for space and/or privileges at the Airport, the rent or other compensation payable to the Port Authority shall not be measured by the amount of freight or other cargo of the Lessee transported on the surface by such contractor.

(g) The right of the Lessee to arrange transportation to and from the Airport of its airline passengers as hereinabove provided shall not be construed as being applicable to any establishment or operation by the Lessee of facilities outside the Airport for the handling of airline passengers of the Lessee arriving at or departing from the Airport.

As used in this Section 60, reference to passengers, baggage, freight or other cargo of the Lessee shall be construed to mean persons, baggage, freight or cargo transported or to be transported on aircraft of the Lessee.

The Ground Carrier Permittee of the Lessee's choice, its Passengers Surface Carrier or any other contractor used by it shall not solicit business on the public areas of the Airport and the Lessee shall prohibit any such activity on the premises or on any other area at the Airport occupied by the Lessee. The use, at any time, either on the premises or elsewhere on the Airport of hand or standard megaphones, loudspeakers or any electric, electronic or other amplifying devices is hereby expressly prohibited and any advertising or signs shall be subject to continuing Port Authority approval.

(h) Effective as of January 1, 1972, the provisions of this Section 60 shall supersede the provisions of Section 4.11 of Title IV of a certain agreement between the Lessee and the Port Authority dated as of January 1, 1953 and bearing Port Authority File No. Designation AY-351, and from and after said date said provisions of said Section 4.11 shall no longer be of any force or effect.

Section 61. <u>The Original Premises Use Agreements</u>

It is recognized that the Lessee has entered into various agreements with subtenants, licensees and other persons covering the occupancy of the space or providing for the furnishing of services in the premises pursuant to the provisions of the Surrendered Lease and that the Port Authority has approved or consented to the same, all of the foregoing as to which Port Authority approval or consent has been given, being hereinafter called "the Lessee's use agreements". The Port Authority has no objection to the continuance in effect under the Lease of all of the Lessee's use agreements.

The parties agree that appropriate documents will be prepared and executed, if the same are deemed by the Port Authority to be necessary or desirable, recognizing the continuance under this Lease of the Lessee's use agreements, subject to the existing terms of such agreements and the Port Authority's consent to or approval thereof including but not limited to termination and revocation rights as provided therein.

Section 62. Maintenance Employees

The Lessee shall at all times during the term of this Agreement on a twenty-four hour basis maintain sufficient qualified personnel at the Airport including but not limited to professional electrical engineers and sanitation engineers, who shall be qualified to perform the maintenance obligations of the Lessee under this Agreement and particularly be able to respond to all emergencies.

Section 63. Ground Transportation Within the Central Terminal Area

(a) The Port Authority has established at the Airport a Central Terminal Area generally as described in Exhibit S, attached hereto and hereby made a part hereof. If at any time and from time to time during the term of the Lease, the Port Authority substantially revises the Central Terminal Area, it shall thereafter forward to the Lessee a revised Exhibit showing the revised Central Terminal Area which revised Exhibit shall replace Exhibit S and shall become a part of the Lease.

(b) The Lessee hereby agrees that it will not directly, indirectly or by arrangement with any independent third party, operate any surface vehicles for the transportation of its passengers to or from the premises and the various other passenger terminal facilities or other locations within the Central Terminal Area. The prohibition hereinabove set forth in this paragraph (b) shall be effective as of the Commencement Date of the Lease and shall continue thereafter during the term of the Lease, but such prohibition shall be in effect only during such periods as there is in operation at the Airport a CTA ground transportation service as hereinafter defined to be provided by an independent third party contractor. The CTA ground transportation service shall consist of the following: a ground transportation service for the transportation of airline passengers and other persons between the various passenger terminal facilities, including the premises, within the Central Terminal Area including the service of transporting a group of passengers where the Aircraft Operator must accommodate the group as a whole (hereinafter called "the CTA omnibus service") and a ground transportation service for the transportation of passengers of Aircraft Operators within the Central Terminal Area, but only when a passenger is disabled, the passenger must take a direct connection and where time is critical, and in the very limited instance where an Aircraft Operator must accommodate a particular passenger, the foregoing service being hereinafter called "the CTA supplementary service".

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It is understood furthermore that, notwithstanding the prohibition hereinabove set forth in this paragraph (b), the Lessee may directly, indirectly or by arrangement with an independent third party, operate surface vehicles for the transportation of its passengers to or from the premises and such passenger terminal facility of the Lessee, if any, located outside the Central Terminal Area, provided, that the Lessee has the prior and continuing approval of the Port Authority to operate such passenger terminal facility outside the Central Terminal Area, that the aforesaid service shall not serve any passenger terminal facility or location within the Central Terminal Area other than the premises and that if the Lessee utilizes a third party to provide the service, said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its gross receipts to the Port Authority with respect to said service as specified in said permit and shall comply with all the terms and conditions of its permit.

Nothing contained in this paragraph (b) or paragraph (c) hereof shall impose or be construed as imposing an obligation on the Port Authority to operate or cause to be operated the CTA ground transportation service for the transportation of passengers and other persons between the various passenger terminal facilities, including the premises, within the Central Terminal Area.

(c) (1) (i) It is hereby agreed that it is in the best interests of the Port Authority and all Participants as hereinafter defined that the CTA omnibus service be a good, proper and efficient service, able to adequately, timely and properly handle the ground transportation needs of airline passengers and other persons between the various passenger terminal facilities including the premises within the Central Terminal Area. The parties recognize furthermore that the CTA supplementary service should be a service that would transport those persons authorized to be carried thereon in an adequate, proper and timely manner so as to meet their flight connections.

(ii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA omnibus service and shall, except in case of emergency, give the Participants prior written notice of any substantive changes with respect thereto. Notwithstanding the foregoing, it is hereby understood and agreed that the procedures, schedules, fares, prices, operations and other matters affecting the CTA omnibus service shall be determined by the Port Authority.

(iii) The Port Authority agrees that it shall meet and consult from time to time with the Participants with respect to the procedures, schedules, fares, prices and operations of the CTA supplementary service. Before adopting any initial procedures or schedules covering the operation of the CTA supplementary service and before putting into effect any modifications to any procedures or schedules then in effect with respect to the CTA supplementary service, except in case of emergency, the Port Authority shall submit the initial or the changed procedures and schedules (hereinafter called the "submissions") to the Participants for their approval. If Participants representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all Participants for the calendar year prior to the year in which the submissions are made to the Participants for their approval, approve the same, the submissions shall be deemed to be approved for all purposes hereunder and said approval shall be deemed binding as well upon all other Aircraft Operators who may use or pay for the CTA supplementary service, notwithstanding the fact that said submissions had not been submitted to them for their approval. Notwithstanding anything herein provided and without limiting the provisions of paragraph (b) hereof, it is hereby understood and agreed that the Port Authority shall have no obligation hereunder to itself operate the CTA ground transportation service nor any obligation to operate said service through an independent contractor unless and until the submissions with respect to the CTA supplementary service submitted as aforesaid to the Participants have been approved by the Participants in accordance with the foregoing provisions. The failure of any Participant to disapprove the submission within twenty (20) days after its submission to it for approval shall constitute such Participant's approval hereunder to said submissions.

(iv) It is hereby understood and agreed that the amount to be charged for the CTA supplementary service shall consist of an initial price and, if the Port Authority so elects from time to time during the term of the Lease, an excess price. The initial price shall be based upon the cost of the CTA supplementary service. The Lessee shall pay to the Port Authority as and representing the initial price its pro rata share of the cost to the Port Authority of providing the CTA supplementary service. The Lessee's pro rata share of the cost to the Port Authority of providing the CTA supplementary service shall be that proportion of said cost as the number of passengers of the Lessee who actually used the CTA supplementary service bears to the total number of passengers using the CTA supplementary service. Except as provided in the last subparagraph of subparagraph (v) hereof, there will be no charge to the Lessee of either an initial price or an excess price if the Lessee does not have any passengers using the CTA supplementary service.

(v) The initial price payable to the Port Authority pursuant to subparagraph (iv) hereof is for each calendar year, but in the event the Commencement Date as defined in paragraph (d) hereof falls on a day other than the first day of a calendar year or in the event the term of the Lease expires or the provisions covering the CTA transportation services are terminated on a day other than the last day of a calendar year, then in any such event the initial price payable to the Port Authority pursuant to subparagraph (iv) hereof shall, for the year during which such event occurs, be for such portion of said year during which the Port Authority provides the CTA supplementary service. In determining the initial price, the cost of the CTA supplementary service shall be computed, determined and ascertained for each calendar year (or portion thereof upon the occurrence of any of the events mentioned in the first sentence hereof) of the term of this Lease subsequent to the aforesaid Commencement Date.

Notwithstanding the foregoing and for current monthly or other periodical billing purposes as may from time to time be selected by the Port Authority, the Port Authority shall establish interim billing rates to cover the initial price for the CTA supplementary service. Such billing rates shall be based on determinations by the Port Authority of its estimate of the cost of the CTA supplementary service for the calendar year and the number of passengers to be using the CTA supplementary service for said calendar year. Such determinations shall be based upon the prior calendar year's experience, if any, and upon such other reasonable basis as the Port Authority may determine. The Port Authority may prospectively revise its billing rates during any calendar year. On the 20th day of each calendar month following the month upon which the Commencement Date hereunder falls and on the 20th day of each and every calendar month thereafter the Lessee shall pay to the Port Authority the amount due as the initial price for the preceding calendar month, which shall be determined by multiplying the interim billing rate per passenger for the initial price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA supplementary service for the previous calendar month.

As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA supplementary service and the initial price payable therefore. Corrected billings based upon such determination shall thereupon be rendered by the Port Authority and if any monies are due to the Port Authority they shall be promptly paid by the Lessee and if any monies are due to the Lessee they shall be promptly credited to it.

In the event and only in the event that the CTA supplementary service for all or any portion of a calendar year has been provided by the Port Authority but there has been no use thereof by any of the Participants, then the initial price and the excess price shall be payable by all Participants and each Participant's share shall be based on the number of passengers on its outbound and inbound aircraft at the Airport compared to the total number of passengers on all inbound and outbound aircraft using the Airport of all Participants. The Port Authority agrees that, if as of the commencement of any calendar year there appears to be no use by the Participants of the CTA supplementary service, it will use all reasonable efforts to limit its payments to the contractor for the CTA supplementary service for such period where there appears to be no use.

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(vi) The Port Authority shall have full discretion in awarding a contract for the CTA ground transportation service and may award the same to a contractor who has not proposed the lowest price for the CTA supplementary service or the CTA omnibus service. As stated in subparagraph (iv) hereof the Port Authority shall have the right to charge the Lessee, in addition to the initial price for the CTA supplementary service, an additional amount herein called "the excess price", which amount shall be applied to offset any deficit in the CTA omnibus service.

The amount representing the excess price shall be an amount payable only by the Lessee if it uses the CTA supplementary service and shall be an amount fixed for each passenger using the CTA supplementary service. The Port Authority shall advise the Participants prior to the beginning of each calendar year of the amount per passenger which shall constitute the excess price for said calendar year. On the 20th day of the calendar month following the month upon which the Commencement Date hereunder falls and on the 20th day of each and every calendar month thereafter the Lessee shall pay to the Port Authority the amount due as the excess price for the preceding calendar month, which shall be determined by multiplying the amount per passenger for the excess price established by the Port Authority as aforesaid by the number of Lessee's passengers carried on the CTA supplementary service for the previous calendar month. As soon as practicable after the expiration of each calendar year, the Port Authority shall determine the cost of the CTA omnibus service for said calendar year. If there is no deficit or if the deficit is less than the amount received by the Port Authority from users of the CTA omnibus service, then the total amount of the excess price if there is no defict the amount of the excess price which is over and above any deficit on the CTA omnibus service shall be refunded or credited to the Participants based on the portion of each Participant's payments of the excess price for said calendar year as compared to the total amount received as the excess price from all Participants. In determining whether or not there is a deficit or in determining the amount of the deficit, revenues from the CTA omnibus service shall be deemed to be 87.5% of the cost of the CTA omnibus service whether or not the revenues actually received add up to 87.5%, but if said revenues exceed 87.5% of the cost, the actual amount of revenues received shall be used.

(vii) The Port Authority shall determine for each calendar year (or portion thereof, where applicable) the cost to the Port Authority of providing the CTA omnibus service and the cost to the Port Authority of providing the CTA supplementary service. Each such cost shall be determined in accordance with the Port Authority's normal accounting practice and shall consist of those of the following items, which are applicable to each such service:

(a) All payments made by the Port Authority to the independent contractor for providing the CTA supplementary service or the CTA omnibus service, as the case may be (it being understood that the Port Authority shall not impose any percentage charge or fee on the contractor for such services);

(b) On-the-job payroll costs of Port Authority employees working in any aspect of the CTA supplementary service or the CTA omnibus service, as the case may be, including but not limited to contributions to any retirement system or the cost of participation in any pension plans or the like, social security, old age, survivors, disability and employment insurance and other insurance costs, sick leave pay, holiday, vacation, authorized absence and severance pay, other employee fringe benefits and any other payments made or costs incurred whether pursuant to law or by Port Authority policy to or with respect to said employees;

(c) The cost (including rental charges) to the Port Authority of providing space, equipment, materials, facilities or services to or in connection with the CTA omnibus service or the CTA supplementary service, as the case may be;

(d) Payments of premiums (or to the extent of self-insurance an amount equivalent to what the premiums would have been) for insurance with respect to the CTA omnibus service or the CTA supplementary service, as the case may be, including without limitation thereto, fire and extended coverage, workmen's compensation and comprehensive general liability;

(e) Other direct costs as charged under the Port Authority's normal accounting practice;

(f) With respect to the CTA omnibus service, ten percent (10%) of the amounts paid to the contractor providing said service under item (a) hereof and with respect to the CTA supplementary service, twenty percent (20%) of the amount paid to the contractor providing said service under item (a) hereof.

In the event that any specific cost incurred or any specific amount expended for any of the items hereinabove set forth covers both the CTA omnibus service and the CTA supplementary service, then the Port Authority shall divide and allocate any such cost or amount as between the CTA omnibus service and the CTA supplementary service in accordance with its normal accounting principles.

(2) If at any time during the term of the Lease the Port Authority receives a written notice from the East and West Wing Building Lessees (as hereinafter defined) representing more than thirty percent (30%) of the effective published passenger flight schedules to and from the Airport of all the East and West Wing Building Lessees for the calendar year prior to the year during which the notice was given, or if the Port Authority receives a written notice from Unit Terminal Lessees (as hereinafter defined) representing more than thirty percent (30%) of the effective published passenger flight schedules to and from the Airport of all Unit Terminal Lessees for the calendar year prior to the year during which the notice is given, which notice shall be either (i) to the effect that the service being provided by the contractor furnishing the CTA ground transportation service

does not satisfy the standards set forth in item (i) of subparagraph (1) hereof and specifying whether it is the CTA omnibus service or the CTA supplementary service, or both, which is at fault, and further specifying the nature and extent of the failure or (ii) to the effect that the Participants serving the notice are dissatisfied for any reason with the service, the Port Authority shall endeavor in the case of item (i) above to rectify the conditions complained of either by the existing contractor doing so or by engaging a new contractor to provide the CTA ground transportation service or by a combination of both.

(3) If the Port Authority receives, by a date no earlier than one hundred twenty (120) days and no later than one hundred eighty (180) days after its receipt of either notice covered by subparagraph (2) hereof, a written notice from the East and West Wing Building Lessees representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all East and West Wing Building Lessees for the year prior to the year during which the notice is given or if the Port Authority receives a written notice during the period described above from Unit Terminal Lessees representing more than fifty percent (50%) of the effective published passenger flight schedules to and from the Airport of all the Unit Terminal Lessees for the year prior to the year during which the notice is given, which notice is to the effect that the Participants sending the notice continue to be dissatisfied with the CTA ground transportation service whether provided by the old contractor, or if said contractor has been replaced, by the new contractor, then the Port Authority agrees that, effective no later than sixty (60) days after its receipt of said notice (said date to be established by written notice to the Participants) the provisions of this Section covering the CTA ground transportation service shall be terminated and shall no longer be in effect and from and after said date the Lessee shall have the right directly or by arrangement with an independent third party to operate surface vehicles for the transportation of its passengers to and from the premises and the various other passenger terminal facilities or other locations within the Central Terminal Area, provided, however, that the same shall be used exclusively for the transportation of the Lessee's disabled passengers, passengers who must make a direct connection and where time is critical, in the very limited instances where the Lessee must accommodate particular passengers, and for the transportation of passengers travelling as a group where the Lessee must accommodate the group as a whole, it being understood that the foregoing limitation on the right of the Lessee shall be in effect only during such periods as there is in operation at the Airport a CTA omnibus service as defined in paragraph (b) hereof (the Port Authority having no obligation so to do), excluding the transportation of passengers travelling as a group, and provided, however, that if the Lessee utilizes a third party to provide said service, that said third party shall be subject to the prior and continuing approval of the Port Authority, shall agree to become a permittee of the Port Authority and shall pay the percentage of its gross receipts to the Port Authority with respect to its service as specified in said permit and shall comply with all the terms and conditions of its permit.

(d) (1) The Port Authority hereby states its intention to attempt to incorporate into all new leases and into all existing leases which may not already include the same with all Scheduled Aircraft Operators covering passenger terminal facilities within the Central Terminal Area provisions having the same effect as the provisions of this Section.

For the purposes of this Section, the term "Unit Terminal Lessees" shall mean all Participants other than the East and West Wing Building Lessees. The term "East and West Wing Building Lessees" shall mean those foreign flag Scheduled Aircraft Operators who shall have entered into long term leases with the Port Authority covering space in the East or West Wing Buildings.

(2) All Aircraft Operators who may be occupying space within the Central Terminal Area pursuant to a sublease, subuse or handling agreement with any Unit Terminal Lessee or with any East or West Wing Building Lessee (the foregoing not to waive the requirement for Port Authority consent) shall be obligated to comply with all obligations of this Section which are applicable to the Participants, but said Aircraft Operators shall not be or be deemed to be Participants within the meaning of subparagraph (1) of this paragraph (d) or be or be deemed to be an East or West Wing Building Lessee or a Unit Terminal Lessee within the meaning of subparagraphs (2) and (3) of paragraph (c) hereof, but their activities, operations and payments hereunder shall be deemed to be those of the Participants whose space they are using.

(e) The Port Authority agrees that it shall include in any agreement it may have with any Supplemental Aircraft Operator covering space in the North Passenger Terminal at the Airport a provision that said Supplemental Aircraft Operator shall agree that it will not directly, indirectly or by arrangement with any independent third party, operate any surface vehicle for the transportation of its passengers to and from the North Passenger Terminal and the various other passenger terminal facilities or other locations within the Central Terminal Area, but the foregoing shall not prohibit the Port Authority from providing or authorizing others to provide a ground transportation service for said passengers by omnibus and/or other surface vehicles.

(f) The agreement by the Lessee under paragraph (b) hereof as well as the agreement by the Lessee under paragraph (c)(3) hereof, in the event the provisions covering the CTA transportation service are terminated and are no longer in effect, are of the essence of this Section and the Lessee agrees that the Port Authority shall be entitled to a decree against the Lessee requiring the specific performance thereof in any court of equity having jurisdiction. The aforesaid remedy which may be available to the Port Authority hereunder in the event the Lessee breaches its agreement.

Section 64. Itinerant Aircraft

(a) The Port Authority hereby grants to the Lessee the privilege of permitting the occasional use of the premises by air taxi, corporate and private aircraft (sometimes hereinafter called "the Itinerant Aircraft") for the sole purpose of discharging or picking up passengers, business guests and other invitees of the Lessee. All operations of such Itinerant Aircraft shall be in compliance with all the terms and provisions of the Lease and with the Rules and Regulations of the Port Authority. The Lessee shall be completely responsible for all acts and omissions of said Itinerant Aircraft as if said acts and omissions were the acts or omissions of the Lessee.

(b) The Port Authority shall have the right to cancel the privilege granted to the Lessee as set forth in paragraph (a) hereof in whole or in part or with respect to any particular Itinerant Aircraft at any time and from time to time and without cause upon thirty (30) days' written notice to the Lessee, and upon the effective date of such notice the Lessee shall no longer have the right to permit all or any specific Itinerant Aircraft as specified in the notice to use the premises as hereinabove provided, but the same shall not affect the Lease or any of the terms, rentals, fees, provisions or agreements hereof, all of which shall continue in full force and effect.

Section 65. Definitions

The following terms, when used in this Agreement, shall, unless the context shall require otherwise, have the respective meanings given below.

(a) "Airport" shall mean the land and premises in the City of New York, in the County of Queens and State of New York, which are shown in green upon the Exhibit attached to the Basic Lease between The City of New York and the Port Authority referred to in subdivision (b) below, said Exhibit being marked "Map II", and lands contiguous thereto which may have been heretofore or may hereafter be acquired by the Port Authority to use for air terminal purposes.

(b) "Basic Lease" shall mean the agreement between The City of New York and the Port Authority dated April 17, 1947, as the same from time to time may have been or may be supplemented or amended. Said agreement dated April 17, 1947, has been recorded in the Office of the Register of The City of New York, County of Queens, on May 22, 1947, in Liber 5402 of Conveyances, at pages 319, et seq.

(c) "Agreement" shall mean this agreement of lease.

(d) "Lease" or "this Agreement of Lease" shall mean this agreement of lease.

(e) "Letting" shall mean the letting under this Agreement for the original term stated herein, and shall include any extension thereof.

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(f) "Premises" shall mean and include the land, the buildings, structures and other improvements located or to be located or to be constructed therein or thereon, the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems, and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins.

(g) "Public Landing Area" shall mean the area of land at the Airport including runways, taxiways and the areas between and adjacent to runways and taxiways, designated and made available from time to time by the Port Authority for the landing and taking off of aircraft.

(h) "Public Ramp and Apron Area" shall mean the area adjacent to the Public Landing Area designated and made available from time to time by the Port Authority for common use for the loading or unloading of passengers or cargo to or from aircraft using the public landing area.

(i) "Runways" (including approaches thereto) shall mean the portion of the Airport used for the purpose of the landing and taking-off of aircraft.

(j) "Scheduled Aircraft Operator" shall mean a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no person shall be deemed to be a Scheduled Aircraft Operator within the meaning of this Lease unless he also holds such a permit or certificate.

(k) "General Manager of the Airport" shall mean the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in the said General Manager by this Agreement; but until further notice from the Port Authority to the Lessee it shall mean the General Manager (or the temporary or acting General Manager) of the Airport for the time being, or his duly designated representative or representatives.

(l) "Taxiways" shall mean the portion of the Airport used for the purpose of the ground movement of aircraft to, from and between the runways, the public ramp and apron area, the aircraft parking and storage space and other portions of the Airport (not including, however, any taxiways, the exclusive use of which is granted to the Lessee or any other person by lease, permit or otherwise.)

(m) The phrase "gross receipts" shall mean and include all monies paid or payable to the Operator for sales made and for services rendered at or from the premises, regardless of when or where the order therefor is received, and outside the premises, if the order therefor is received at the premises, and any other revenues of any type arising out of or in connection with the Operator's operations at the premises, provided, however, that any taxes or other governmental charges imposed by law which are separately stated to and paid by a customer and directly payable to the taxing authority by the Operator, shall be excluded therefrom.

(n) "Unamortized Capital Investment" for the purposes of this Lease shall mean the sum of the following:

(i) the "Concourse Expansion Unamortized Capital Investment" which term shall mean the sum of $12,617,024.67, as the same shall be reduced in equal amounts of $42,056.75 for each calendar month from July 25, 1970 up to July 24, 1995 it being understood that after July 24, 1995 there shall be no Concourse Expansion Unamortized Capital Investment hereunder; and

(ii) the "Federal Inspection Facilities Unamortized Capital Investment" which term shall mean the amount of the Lessee's investment in the premises arising out of the performance by the Lessee of the construction work pursuant to and as set forth in Section 2 of this Lease with respect to the Federal Inspection Facilities, after deduction therefrom of an amount equivalent to an allowance for depreciation and amortization as hereinafter provided. Such allowance will be computed on a straight-line basis from the date of the completion of the Federal Inspection Facilities to the end of the average useful life (as determined under sound accounting practices) or the end of the term of the Lease, whichever is the shorter.

(iii) the "Expanded Baggage Facilities Unamortized Capital Investment" which term shall mean the amount of the Lessee's investment in the premises arising out of the performance by the Lessee of the construction work pursuant to and as set forth in Section 2 of this Lease with respect to the Expanded Baggage Facilities, after deduction therefrom of an amount equivalent to an allowance for depreciation and amortization as hereinafter provided. Such allowance will be computed on a straight-line basis from the date of the completion of the Expanded Baggage Facilities to the end of the average useful life (as determined under sound accounting practices) or the end of the term of the Lease, whichever is the shorter.

The foregoing computation to be made shall not take into consideration the effect of accelerated amortization, if any, granted to or taken by the Lessee on its books or otherwise under the provisions of Section 168(a) of Title 26 USCA or similar legislation hereafter enacted.

For purposes of subparagraphs (ii) and (iii) above the Lessee's investment in the premises arising out of the performance of the construction of the Federal Inspection Facilities and the Expanded Baggage Facilities pursuant to and as set forth in Section 2 of the Lease shall be equal to the sum of: (i) the amounts paid by the Lessee to independent contractors for work actually performed and labor and materials actually furnished in connection with the construction of the Federal Inspection Facilities and the Expanded Baggage Facilities on the premises, and (ii) the payments made and expenses incurred by the Lessee, in connection with such construction, for engineering, architectural, professional and consulting services, and the supervision of construction, provided, however, that such payments and expenses pursuant to this subdivision (ii) shall not exceed ten per cent (10%) of the amounts described in subdivision (i); in each case, as the abovementioned amounts, payments and expenses are evidenced, from time to time, by certificates of a responsible fiscal officer of the Lessee, sworn to before a notary public and delivered to the Port Authority, which certificates shall (a) set forth, in reasonable detail, the amounts paid to specified independent contractors, the payments made to other specified persons and the other expenses incurred by the Lessee, which have not previously been reported in certificates delivered to the Port Authority, (b) have attached thereto reproduction copies or duplicate originals of the invoices of such independent contractors and other persons acknowledging the receipt by them of such amounts and payments, and (c) certify that the amounts, payments and expenses therein set forth constitute the Lessee's investment in the premises arising out of the performance of the construction of the Federal Inspection Facilities and the Expanded Baggage Facilities pursuant to and as set forth in Section 2 of the Lease. All records of the Lessee with respect to the foregoing shall be kept at all times within the Port of New York District for a period of two (2) years after the final costs of all the construction work have been submitted by the Lessee to the Port Authority and shall be subject to the audit and inspection of the Port Authority, its representatives and employees.

(o) "Governmental Authority", "Governmental Board", "Governmental Agency" shall mean federal, state, municipal and other governmental authorities, boards and agencies of any state, nation or government, except that it shall not be construed to include The Port Authority of New York and New Jersey, the lessor under this Lease.

(p) "Subsidiary" shall mean any corporation or company in which the Lessee owns sixty percent (60%) or more of the total outstanding voting stock (other than treasury stock).

(q) "Aircraft Operator" shall mean (a) a Person owning one or more aircraft which are not leased or chartered to any other person for operation, and (b) a Person to whom one or more aircraft are leased or chartered for operation - whether the aircraft so owned, leased or chartered are military or non-military, or are used for private business, pleasure or governmental business, or for carrier or non-carrier operations, or for scheduled or non-scheduled operations or otherwise. Said phrase shall not mean the pilot of an aircraft unless he is also the owner or lessee thereof or a Person to whom it is chartered.

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(r) "Civil Aircraft Operator" shall mean a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he shall be deemed to be a Civil Aircraft Operator only to the extent that he engages in the operation of aircraft for civilian purposes.

(s) "Person" shall mean not only a natural person, corporation or other legal entity, but also two or more natural persons, corporations or other legal entities acting jointly as a firm, partnership, unincorporated association, consortium, joint adventurers or otherwise.

Section 66. Quiet Enjoyment

The Port Authority covenants and agrees that as long as it remains the lessee of the Airport the Lessee, upon paying all rentals hereunder and performing all the covenants, conditions and provisions of this Agreement on its part to be performed, shall and may peacefully and quietly have and enjoy the premises free of any act or acts of the Port Authority except as expressly agreed upon in this Agreement.

Section 67. Area Recapture

The Port Authority shall have the right at any time and without cause to terminate this Agreement and the letting hereunder as to the portion of the premises shown in diagonal hatching on Exhibit A, provided that such termination shall be on at least ninety (90) days' prior written notice to the Lessee. In the event of termination pursuant to this Section, this Agreement and the letting hereunder shall cease and expire as to the said portion of the premises shown in diagonal hatching on Exhibit A as if the effective date of termination stated in the notice were the date originally stated herein for the expiration of this Agreement, but the Agreement and the letting hereunder shall continue in full force and effect as to the remainder of the premises under the Lease and in accordance with all the terms and provisions thereof but effective from and after the effective date of termination the applicable ground rental or rentals shall be reduced in the following amounts: the initial ground rental in the amount of $1,116.00 per annum; the subsequent ground rental in the amount of $1,116.00 per annum; and the final ground rental in the amount of $1,452.00 per annum which shall be in lieu of the rental abatement as provided in Section 4 hereof, from and after the effective date of termination. Prior to the effective date of termination the Lessee shall, at its sole cost and expense, demolish and remove from the portion of the premises shown in diagonal hatching on Exhibit A all structures, fixtures, additions and improvements it may have installed, constructed or erected thereon and shall restore the premises to the condition existing prior to such installation, construction or erection (said demolition and removal being hereinafter called "the removal work"). The Lessee shall perform the removal work subject to and in accordance with an approved

Port Authority Construction Application and subparagraphs (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12) and (17) of paragraph (b) of Section 2. For the purposes of this Section the term "construction work" as used in said subparagraphs shall mean and refer to the removal work. In the event the Lessee shall fail to perform the removal work the Port Authority may, at its option, and in addition to any other remedies which may be available to it, complete the removal work and the cost thereof shall be payable by the Lessee upon demand.

Section 68. Entire Agreement

This Agreement consists of the following: Sections 1 through 68, inclusive, and Exhibits A, B and S. It constitutes the entire agreement of the parties on the subject matter hereof and may not be changed, modified, discharged or extended except by written instrument duly executed by the Port Authority and the Lessee. The Lessee agrees that no representations or warranties shall be binding upon the Port Authority unless expressed in writing in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first above written.

ATTEST:

SECRETARY

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By S.J. NOWINSKI

(Title) EXECUTIVE ASST. TO DIRECTOR OF AVIATION

(Seal)

ATTEST:

Asst. Secretary

AMERICAN AIRLINES, INC.

By

(Title) Vice President

(Corporate Seal)

Prop. + Fac.

APPROVED: FORM

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AAUT 777

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On the 10th day of OCTOBER , 1980, before me personally came S.J. NOWINSKI to me known, who, being by me duly sworn, did depose and say that he resides at BAYONNE, NEW JERSEY

that he is the EXECUTIVE ASST. TO DIRECTOR OF AVIATION of The Port Authority of New York and New Jersey, (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Commissioners of the said corporation; and that he signed his name thereto by like order.

Anita E. Westrich
(notarial seal and stamp)

ANITA E. WESTRICH
Notary Public, State of New York
No. 43-4656184
Qualified in Richmond County
Commission Expires March 30, 1981

STATE OF Texas)
) ss.
COUNTY OF Dallas)

On the 19th day of February , 1980, before me personally came C. W. Hullet to me known, who, being by me duly sworn, did depose and say that he resides at [illegible], TX 76112

Ex. 2.a.

that he is the Vice President F&F of American Airlines, Inc., (one of) the corporations described in and which executed the foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he signed his name thereto by like order.

Betty J. Gordon
(notarial seal and stamp)
expires 10-4-81

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME II

INDEX OF CLOSING DOCUMENTS

Document Number

1. Basic Lease.

2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).

3. First Supplemental Agreement to Port Authority Lease.

4. Agreement Towards Entering into a Lease.

5. Recognition, Non-Disturbance and Attornment Agreement.

6. Consent to Subleases and Leasehold Mortgage Agreement.

7. Company Sublease Agreement.

8. IDA Lease Agreement.

9. Master Indenture of Trust.

10. First Series Supplemental Indenture of Trust.

11. Second Series Supplemental Indenture of Trust.

12. American Airlines, Inc. Guaranty.

13. AMR Corporation Guaranty.

14. Form of Leasehold Mortgage and Security Agreement.

15. Equipment Security Agreement.

16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

DOCUMENTS DELIVERED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

Exhibit A

By-Laws of the Agency.

Exhibit B

Inducement and Authorizing Resolutions.

Exhibit C

Specimen Bonds.

Exhibit D

Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

Exhibit A

Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

DOCUMENTS DELIVERED BY AMR CORPORATION

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE BANK OF NEW YORK

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

UNDERWRITING DOCUMENTS

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE BY AN AUTHORIZED REPRESENTATIVE OF THE PORT AUTHORITY

John F. Kennedy International Airport
Supplement No. 1
Port Authority Lease No. AYB-085R

FIRST SUPPLEMENTAL AGREEMENT

THIS AGREEMENT (sometimes referred to as "First Supplemental Agreement" or as "Supplement No. 1" of the Lease), made as of July 31, 2002 (the "Supplement One Effective Date") by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter referred to as the "Port Authority") and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware (hereinafter referred to as the "Lessee"),

WITNESSETH, That:

WHEREAS, the Port Authority and the Lessee as of the first day of August, 1976 entered into an agreement of lease bearing Port Authority agreement number AYB-085 covering certain premises at John F. Kennedy International Airport (hereinafter called the "Airport") as therein set forth, which agreement of lease, as amended, supplemented and modified, was further amended, supplemented and modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December, 2000 and bearing Port Authority Agreement No. AYB-085R (said agreement of lease as heretofore amended, supplemented, modified and restated is hereinafter called the "Lease"); and

WHEREAS, the Port Authority and the Lessee desire to (i) permit the Lessee to mortgage its leasehold interest under the Lease, as herein amended, on certain terms and conditions as hereinafter set forth and (ii) otherwise amend and supplement the Lease as provided herein;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree to supplement and amend the Lease, effective as of the Supplement One Effective Date, as follows:

1. Section 3 of the Lease entitled "Term" shall be amended as follows:

(a) Paragraph (a) thereof shall be amended as follows:

(i) Subparagraph (3) thereof shall be amended to read as follows:

"(3) 'Applicable Airport Lease Extension Agreement' shall mean on any specific date, the most recent Airport Lease Extension

Agreement that the City of New York and the Port Authority shall have entered into and which is in full force and effect on such specific date."

(ii) There shall be added a new subparagraph (13) and a new subparagraph (14) thereto to read as follows:

"(13) 'Term' shall have the meaning set forth in paragraph (b) of this Section.

(14) 'Extension Supplement' shall have the meaning set forth in paragraph (d) of this Section."

(b) Paragraph (b) thereof shall be deleted in its entirety and the following new paragraph (b) shall be inserted in lieu thereof to read as follows:

"(b) (i) 'Expiration Date' shall mean December 30, 2015, provided, however, that if there is an Airport Lease Extension Agreement, then the Expiration Date is the date which is the first to occur of (A) the day prior to the date of expiration of the Applicable Airport Lease Extension Agreement and (B) December 21, 2036 and (C) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date; provided further however, that in the event there shall be a Fee Transfer Date, the Expiration Date shall be the Final Lease Extension Date.

(ii) The term of this Lease, as the same shall have commenced under Lease AYB-085 shall, unless sooner terminated, expire on the Expiration Date. On any specific date, the Term shall be the period from August 1, 1976 to the then effective Expiration Date."

(c) Paragraphs (c) and (d) of Section 3 shall be deleted therefrom in their entirety and the following new paragraphs (c) and (d) shall be inserted in lieu thereof to read as follows:

"(c) In the event that all of the Required Conditions shall not have occurred prior to December 30, 2015, then this Lease and the letting hereunder shall in any event automatically terminate without notice to the Lessee on December 30, 2015 notwithstanding any Applicable Airport Lease Extension Agreement or any previously executed Extension Supplement. Such termination shall be and operate as a conditional limitation. In the event any court of competent jurisdiction shall not give full and complete effect to this termination provision and its operation as a conditional limitation, the Lessee and the Port Authority agree, as a condition of this Agreement, and not merely as a covenant, that this Agreement and the stated term of the letting hereunder shall nonetheless, from and after the effective date of termination provided above, be deemed to have expired.

(d) (1) The Port Authority may, at its sole option and discretion, and without any obligation to do so, after the execution of an Applicable Airport Lease Extension Agreement,

tender to the Lessee a proposed supplement to this Lease (each such proposed supplement being hereinafter called a 'Proposed Extension Supplement') for execution by the Lessee, which Proposed Extension Supplement shall include such terms and provisions as the Port Authority may determine appropriate in connection with such Applicable Airport Lease Extension Agreement or otherwise, it being understood that no Proposed Extension Supplement shall change the location or size of the Premises or the rentals hereunder, provided, however, notwithstanding the foregoing, each Proposed Extension Supplement may require the Lessee to pay to the Port Authority an additional rental ("Additional Rental") equal to the Port Authority's increased costs under or arising out of or resulting from said Applicable Airport Lease Extension Agreement or from any Permitted Tenancy (but the Lessee shall not be obligated to pay the Port Authority more than once for the same such increased costs under or arising out of or resulting from any Permitted Tenancy) directly or proportionately attributable or related to the Premises hereunder, this Lease, or the Lessee, provided, further, however, the Port Authority has advised the Lessee that it is the intention of the Port Authority that with respect to such increased costs of the Port Authority under or arising out of or resulting from any Applicable Airport Lease Extension Agreement or from any Permitted Tenancy, that all Aircraft Operators at the Airport which are similarly situated will be treated in a similar manner.

(2) (aa) In the event that the Lessee shall not have duly executed any Proposed Extension Supplement tendered to the Lessee by the Port Authority, with an informational copy sent to the Leasehold Mortgagee solely for informational purposes, and the Lessee shall not have delivered such Proposed Extension Supplement to the Port Authority within twenty-five (25) days after the Port Authority has tendered the same to the Lessee, then the Port Authority shall deliver a notice to the Lessee, with an informational copy sent to the Leasehold Mortgagee solely for informational purposes, which notice shall state that from and after the forty-sixth (46th) day after such tender of the Proposed Extension Supplement by the Port Authority to the Lessee (which 46th day is hereinafter called the 'Tender Rejection Date'), this Lease and the letting hereunder shall automatically terminate without notice to the Lessee (or to the Leasehold Mortgagee). From and after the Tender Rejection Date, this Lease and the letting hereunder shall automatically terminate without notice to the Lessee (or to the Leasehold Mortgagee), with such termination to be effective on the date that was the Expiration Date in effect prior to the automatic extension of the term of the letting hereunder by operation of the terms and provisions of paragraph (b) of this Section by virtue of the due execution of the Applicable Airport Lease Extension giving rise to said Proposed Extension Supplement. Such termination shall be and operate as a conditional limitation. In the event any court of competent jurisdiction shall not give full and complete effect to this termination provision and its operation as a conditional limitation, the Lessee and the Port Authority agree, as a condition of this Agreement, and not merely as a covenant, that this Agreement and the stated term of the letting hereunder shall nonetheless, from and after the effective date of termination provided above, be deemed to have expired.

(bb) Upon the due execution by the Port Authority and the Lessee of any Proposed Extension Supplement and delivery thereof by the Port Authority to the Lessee, such Proposed Extension Supplement shall be and become an 'Extension Supplement'. The Additional Rental payable under all Extension Supplements is herein collectively called the 'Extension Rentals'."

(d) The following new subparagraph (iv) shall be inserted immediately after subparagraph (iii) of paragraph (e)(2) thereof to read as follows:

"(iv) Notwithstanding anything to the contrary in subparagraph (ii) above, the Port Authority recognizes that the Lessee and The City of New York intend to enter into (A) an Agreement Towards Entering Into a Lease in the form attached hereto and marked 'Exhibit 3.1' (hereinafter called the 'American-City Agreement'), (B) a lease, which will be entered into pursuant to the American-City Agreement, containing, among other terms and conditions, substantially the terms and conditions set forth in Exhibit A to the American-City Agreement, and (C) a recognition, non-disturbance and attornment agreement substantially in the form attached hereto and marked 'Exhibit 3.2' (hereinafter called the 'RNDA', and the American-City Agreement, the City-American Lease and the RNDA being hereinafter collectively called the 'City Agreements'); *provided, however*, that the City Agreements may not be amended in any way that the Port Authority determines would have a material adverse effect on the Port Authority without the express prior written consent of the Port Authority. In addition to and without limiting the foregoing, the City Agreements may not be amended, without the express prior written consent of the Port Authority, in any way that would have the effect of providing for a term of the City-American Lease other than as specified in Section 94 (a) (1) of the Lease, whether or not such amendment would have a material adverse effect on the Port Authority. The Port Authority agrees that the City Agreements shall not be and shall not be deemed to be a breach of this Lease; *provided, however*, that without limiting Section 94 hereof or any other term or condition of the Lease or the Consent Agreement (as defined in Section 92 hereof), the Lessee shall deliver a copy of the City-American Lease to the Port Authority not later than five (5) business days after the execution thereof by the City and the Lessee (as such term is defined in Section 3(e)(2)(iv) of the Lease); *provided, further, however,* that the receipt of such copy of the City-American Lease by the Port Authority shall not be binding on the Port Authority or waive or impair any rights or remedies of the Port Authority or require any action on the part of the Port Authority, and any action, or inaction, in connection with the receipt shall not be deemed to be a waiver or impairment of any rights or remedies that the Port Authority may have under the Lease or the Consent Agreement or otherwise. "

(e) A new paragraph (h) shall be inserted immediately after paragraph (g) thereof to read as follows:

"(h) (1) The following terms when used in this paragraph (h) shall have the respective meanings given below:

(i) 'Current Airport Lease' shall mean as of any particular date, the Airport Lease in effect on such date.

(ii) 'Current Airport Lease Expiration Date' shall mean as of the Supplement One Effective Date, the date December 31, 2015 (the then expiration date of the Basic Lease) and shall mean as of any date subsequent to the

Supplement One Effective Date, the date set forth in the Current Airport Lease for the expiration of the term of the letting under such Current Airport Lease.

(iii) 'Gap Period' shall mean the period occurring from 12:01 a.m. of the next day after the Current Lease Expiration Date to either (x) if there is an Applicable Airport Lease Extension Agreement, 11:59 p.m. of the Current Airport Lease Expiration Date first occurring after the commencement of such Gap Period or (y) if there is no Applicable Airport Lease Extension Agreement, 11:59 p.m. on December 31, 2015.

(2) Notwithstanding anything to the contrary in this Section 3, as long as the Port Authority has not given a notice of termination of the letting under this Lease in accordance with the requirements of such Lease, then during the Gap Period the Port Authority shall not commence any action against the Lessee seeking possession of the Premises or dispossession of the Lessee from the Premises unless the Port Authority is required to do so (whether required by contract, lease, law, court order or otherwise)."

1A. The last sentence of Section 4 II.(d)(1) of the Lease shall be amended to read as follows: "From and after the Building Rental End Date, if any, there shall be no Area II Building Rental payable under the Lease."

2. Section 32 of the Lease entitled "Notices" shall be amended by deleting the address, "One World Trade Center, New York, New York 10048" appearing in the eleventh (11th) line thereof and by inserting in lieu thereof the address "225 Park Avenue South, New York, New York 10003."

3. Section 37 of the Lease entitled "Termination by Lessee" shall be amended as follows:

(a) The first line of paragraph (a) thereof commencing with the word "If" and ending with a colon, shall be amended as follows:

"Except as otherwise provided in paragraph (d) of this Section, if any one or more of the following events shall occur:"

(b) The following new paragraph (d) shall be inserted immediately after paragraph (c) thereof to read as follows:

"(d) Notwithstanding paragraphs (a), (b) and (c) of this Section, the Lessee shall not have the right to terminate the Lease without the consent of the Leasehold Mortgagee (as defined in Section 92 hereof) prior to the date that the Leasehold Mortgage and the Reletting Rights (as defined in Section 92) of the Leasehold Mortgagee automatically terminate pursuant to paragraph (e) of Section 92 of this Lease."

4. The Section of the Lease entitled "Entire Agreement" shall be renumbered as "Section 95" and the reference in the first sentence thereof to "Section 92" shall be amended to read "Section 95" and the following new Sections 92, 93 and 94 are hereby added to the Lease to read as follows:

"Section 92. Reletting Rights-Leasehold Mortgagee

(a) As used in this Section 92 the following terms shall have the following meanings:

'Act' shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

'Additional Bond Resolutions' shall mean the resolutions adopted by the IDA in connection with the issuance and sale of Additional Bonds.

'Additional Bonds' shall mean all series of bonds that are issued by the IDA, subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the Subleases and Indenture, to finance the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest).

'Additional Section 91 Redevelopment Work Investment Certificate' and **'Additional Section 91 Redevelopment Work Investment Certificates'** shall have the meaning set forth in paragraph (d) of this Section 92.

'Additional Supplemental Indentures' shall mean such indentures supplemental or amendatory to the Master Indenture, which are executed subsequent to the execution of the 2002 Supplemental Indentures in accordance with the terms and conditions of Section 6.2 of the Consent Agreement.

'Approved Successor Lessee' shall mean a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under this Lease, who shall each meet all of the requirements set forth in paragraphs (t) and (u) of this Section including but not limited to the entering into with the Port Authority of the Lease Assignment/Assumption and Consent Agreement (as defined in paragraph (t) of this Section), and thereby become the assignee/purchaser of this Lease with respect to the Mortgaged Premises resulting from the exercise by the Leasehold Mortgagee of its Reletting Rights, whether by foreclosure and sale or by assignment in lieu of foreclosure.

'Audit Confirmation Notice' shall have the meaning set forth in paragraph (d) of this Section 92.

'Audit Nonconfirmation Notice' shall have the meaning set forth in paragraph (d) of this Section 92.

'Bankruptcy Code' shall mean the United States Bankruptcy Reform Act of 1978, as amended, including without limitation amendments made by the Bankruptcy Reform Act of 1994, and as the same may be further amended or supplemented, or any Federal bankruptcy law or laws replacing the foregoing.

'Bankruptcy Rejection Date' shall have the meaning as defined in paragraph (r)(1)(i)(B) of this Section.

'Bondholder' and 'Bondholders' shall mean, respectively, (i) each holder of a Bond or Bonds and (ii) all holders of all the Bonds.

'Bonds' shall mean, collectively, the Series 2002 Bonds and Additional Bonds; provided, however, that the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage shall be limited to a maximum amount of (Ex. 2.a.) etermined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents.

'Bonds Default' shall mean either (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture; provided, however, if any of the foregoing arises out of an act or omission of the Trustee, despite the payment of any such amounts to the Trustee, then such Event of Default shall not be a Bonds Default.

"Bonds Default Date' shall have the meaning set forth in paragraph (m) of this Section 92.

'Bond Resolutions' shall mean, collectively, (i) the resolution adopted by the IDA on December 9, 1999, (ii) the resolution adopted by the IDA on October 23, 2001, as amended November 13, 2001, and (iii) all Additional Bond Resolutions.

'Consent Agreement' shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, entered into by and among the Port Authority, the Lessee, AMR Corporation, the Trustee and the IDA.

'Deferred Reletting Fee' shall mean the fee payable by the Trustee or the Approved Successor Lessee to the Port Authority at the times and in the amounts as set forth in and pursuant to paragraph (u) of this Section.

'Deferred Reletting Fee Rental' shall mean the additional rental payable by the Approved Successor Lessee to the Port Authority as set forth in and pursuant to paragraph (u) of this Section.

'Deferred Reletting Fee Rental Commencement Date' shall have the meaning set forth in paragraph (u) of this Section.

'Deferred Reletting Fee Rental Period' shall have the meaning set forth in paragraph (u) of this Section.

'Fee Owner' shall have the meaning given to such term in the RNDA.

'Financing Documents' shall have the meaning given to such term in the Consent Agreement.

'Financing Transaction' shall mean the issuance of the Bonds for the financing of the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest) and all the transactions documented by the Financing Documents that support and facilitate such issuance.

'Foreclosure Period' shall mean an initial period of 270 days, subject to the conditions applicable to said initial period as set forth in paragraph (n) of this Section, and extendable to an aggregate total maximum period, including all such extensions, of seven hundred and twenty (720) days, subject (except as otherwise expressly provided) to the tolling of the running of the Foreclosure Period pursuant to the last sentence of this definition, paragraph (t)(3) of this Section or to the suspension of the running of the Foreclosure Period pursuant to paragraph (r)(1)(ii)(b) of this Section, and subject to the conditions set forth in paragraphs (l) and (n) of this Section, and which shall commence on Reletting Election Notice Service Date (subject to paragraph (l) of this Section) after the first to occur of any of the following (i) the Notice of Termination Service Date; (ii) the Bankruptcy Rejection Date; and (iii) the Bonds Default Date; and said Foreclosure Period shall expire, unless sooner terminated, on the earlier to occur of (x) the ninetieth consecutive day following such commencement if the conditions for the extension of the same under paragraph (n)(4) of this Section are not satisfied or, if there are one or more extensions thereof as provided in and subject and pursuant to subparagraphs (4), (5) and (6) of paragraph (n) of this Section, the last day of the final extension, or (y) the Lease Assignment/Assumption Commencement Date; the foregoing to be subject, however, to the provisions set forth in paragraphs (r)(1) and (q) of this Section; provided, however, that the Foreclosure Period shall not in any event continue after the transfer of title to the Lessee's interest in the Mortgaged Premises under the Lease pursuant to the issuance of a final judgment of foreclosure by a court of competent jurisdiction or after any termination or expiration of the Leasehold Mortgage as provided in this Section; and provided that the Foreclosure Period shall be subject to earlier termination as provided in paragraph (o) of this Section, and provided,

further, there shall be no Foreclosure Period if there is no Reletting Rights Effective Date. Notwithstanding anything herein to the contrary, if, during the pendancy of any Foreclosure Period, the Bonds Default and/or Lease Default giving rise to such Foreclosure Period, or any subsequent Bonds Defaults or Lease Defaults thereafter occurring, are cured, or waived by the Port Authority, as applicable, in accordance with the applicable agreement(s) prior to the Lease Assignment/Assumption Commencement Date and any pleading/proceedings based upon such Bonds Defaults or Lease Defaults are dismissed with prejudice, then such Foreclosure Period shall be deemed not to have occurred (provided that any amounts paid or owing to the Port Authority as of the date thereof shall be retained by, or continue to be owing to, the Port Authority, as applicable). In addition, as of the date and during the pendancy of any Lessee Bankruptcy, notwithstanding anything herein to the contrary, the counting of days and the Leasehold Mortgagee's Foreclosure Period Obligations in connection with any then-pending Foreclosure Period shall be deemed suspended and held in abeyance until the earlier of (i) the conclusion of the Lessee Bankruptcy or (ii) the Bankruptcy Rejection Date.

'Foreclosure Period Extension Fee' shall mean the fee payable to the Port Authority by the Leasehold Mortgagee for each applicable extension, and collectively for any and all applicable extensions, of the Foreclosure Period at the times and in the amounts set forth in and pursuant to paragraph (n) of this Section.

'Guaranties' shall have the meaning given to such term in the Consent Agreement.

'IDA' shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation created and existing under and by virtue of the laws of the State of New York.

'IDA Sublease' shall mean the IDA Sublease, as amended by all IDA Sublease Amendments.

'IDA Sublease Amendments' shall mean written amendments amendatory to the IDA Sublease, which are executed subsequent to the execution of the IDA Sublease in accordance with the terms and conditions of Section 6.2 of the Consent Agreement.

'Indenture' shall mean the Master Indenture, as amended, modified or supplemented by the 2002 Supplemental Indentures and all Additional Supplemental Indentures.

'Lease Assignment/Assumption and Consent Agreement' shall have the meaning as defined in paragraph (t)(2) of this Section.

'Lease Assignment/Assumption Commencement Date' shall have the meaning as defined in paragraph (t)(2) of this Section.

'Lease Termination' shall mean a breach of or default under the Lease for which the Port Authority has delivered a Notice of Termination in accordance with paragraph (l) of this Section 92.

'Leasehold Mortgage' shall mean the mortgage to be granted by the Lessee to the Leasehold Mortgagee, a form of which is attached to the Consent Agreement as *Exhibit G* and thereby made a part thereof, and which is subject to, controlled by and dependent upon the Lease, including this Section.

'Leasehold Mortgagee' shall mean the Trustee acting in its capacity as 'Leasehold Mortgagee' under the Leasehold Mortgage.

'Leasehold Mortgagee's Foreclosure Period Commencement Payments' shall have the meaning as defined in paragraph (n)(1) of this Section.

'Leasehold Mortgagee's Foreclosure Period Current Basis Payments' shall have the meaning as defined in paragraph (n)(2) of this Section.

'Leasehold Mortgagee's Foreclosure Period Obligations' shall have the meaning as defined in paragraph (n)(3) of this Section.

'Leasehold Mortgagee's Foreclosure Period Payments' shall mean the payments required to be made by the Leasehold Mortgagee to the Port Authority as set forth in paragraph (n) of this Section including the Leasehold Mortgagee's Foreclosure Period Commencement Payments, the Leasehold Mortgagee's Foreclosure Period Current Basis Payments, and the Foreclosure Period Extension Fees.

'Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees' shall mean:

(A) all amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the original Notice of Termination Effective Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the original Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92); and

(B) all amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for any and all periods up to the original Notice of Termination Effective Date, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the original Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92).

'Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees' shall mean:

(A) all amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the thirtieth (30th) day after the original Notice of Termination Effective Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water and other utility charges, extermination services and additional rental under Section 16 of this Lease, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the end of the period of the first extension of the Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92) pursuant to paragraph (l) (2) of this Section 92; and

(B) all amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for any and all periods up to the thirtieth (30th) day after the original Notice of Termination Effective Date, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the end of the period of the first extension of the Notice of Termination Effective Date (as defined in paragraph (l) (1) of this Section 92) pursuant to paragraph (l) (2) of this Section 92.

'Lessee Bankruptcy' shall mean the filing by the Lessee of a voluntary petition under the Bankruptcy Code or the filing of an involuntary petition against the Lessee under the Bankruptcy Code, and the pendency of proceedings pursuant thereto.

'Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee' shall have the meaning as set forth in paragraph (d)(2)(i)(B) of this Section 92.

'Master Indenture' shall have the meaning given to such term in the Consent Agreement.

'Monthly Factor' shall have the meaning set forth in paragraph (u) of this Section.

'Mortgage Amount' shall mean the amount equal to the lesser of (i) the principal amount of Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents. and (ii)

'Mortgaged Premises' shall mean the Premises under this Lease on the Supplement One Effective Date, as such Premises may be increased and decreased from time to time pursuant to the terms of the Lease, as amended, supplemented and modified.

'Notice of Proposed Successor Lessee' shall have the meaning set forth in paragraph (n)(3) of this Section.

'Notice of Termination' shall have the meaning set forth in paragraph (1)(1) of this Section.

'Notice of Termination Effective Date' shall have the meaning set forth in paragraph (1)(1) of this Section.

'Notice of Termination Service Date' shall have the meaning set forth in paragraph (1)(1) of this Section.

'Outstanding' shall have the meaning given to such term in the Indenture.

'Proposed Successor Lessee' shall have the meaning set forth in paragraph (t)(1) of this Section.

'Redevelopment Work' shall have the meaning set forth in Section 2B of this Lease.

'Reletting Election Notice' shall mean the written notice required to be given by the Leasehold Mortgagee to the Port Authority pursuant to paragraph (1)(2), (m)(1) or (r)(l)(i)(B) of this Section affirmatively stating the Leasehold Mortgagee's election to (i) exercise its Reletting Rights hereunder and (ii) to exercise its rights under the Leasehold Mortgage to foreclose upon the Leasehold Mortgage or to have the Lease with respect to the Mortgaged Premises assigned to an Approved Successor Lessee in accordance with the provisions of this Section.

'Reletting Election Notice Service Date' shall mean the actual date of the service on the Port Authority by the Leasehold Mortgagee of its Reletting Election Notice provided that such service is duly and timely made in accordance with the terms and provisions of this Lease.

'Reletting Election Period' shall mean the period during which the Leasehold Mortgagee must decide whether it shall exercise its Reletting Rights hereunder and serve its Reletting Election Notice on the Port Authority prior to the expiration thereof, and which period shall commence on the earliest to occur of (i) the Notice of Termination Service Date, (ii) the Bankruptcy Rejection Date, and (iii) the Bonds Default Date, and which period shall expire at 11:59 p.m. New York City time on the thirtieth (30th) consecutive day following said commencement, unless extended in accordance with the terms of paragraph (l)(2) of this Section.

'Reletting Party' shall have the meaning set forth in paragraph (t) of this Section.

'Reletting Rights' shall mean the rights of the Trustee as Leasehold Mortgagee with respect to the Mortgaged Premises and the Leasehold Mortgage to obtain an Approved Successor Lessee during the Foreclosure Period as provided in this Section, provided, however, no Reletting Rights shall commence or be deemed to have commenced until on or after the Reletting Rights Effective Date, if any, and further shall commence only if there is a Leasehold Mortgage, which has been properly dated, executed, delivered and recorded strictly in compliance with the terms and provisions of this Section 92 and the Consent Agreement, and shall terminate as provided in this Section 92, including without limitation, upon the termination or expiration of the Leasehold Mortgage in accordance with this Section 92.

'Reletting Rights Effective Date' shall mean the date on which all of the Reletting Rights Effective Date Conditions shall have been fulfilled.

'Reletting Rights Effective Date Conditions' shall mean each of the requirements set forth in items (i) through (v) of paragraph (d)(1) of this Section.

'Reliance Notice' shall have the meaning set forth in paragraph (d) of this Section 92.

'RNDA' shall have the meaning set forth in Section 3 hereof as amended.

'RNDA Effective Date' shall mean the date, if any, that the Fee Owner has become the lessor under this Lease in accordance with the provisions of the RNDA upon termination of the Basic Lease.

'Section" shall mean this Section 92.

'Section 19 Assignee' shall mean a Scheduled Aircraft Operator to whom the Lessee has assigned its leasehold interest under the Lease with the prior written consent of the Port Authority or as otherwise permitted in Section 19 of the Lease.

'Section 91 Redevelopment Work Investment Certificate' and **'Section 91 Redevelopment Work Investment Certificates'** shall have the meaning set forth in paragraph (d) of this Section 92.

'Series 2002 Bonds' shall mean, collectively, the (Ex.2.a) Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and the (Ex. 2.a.) Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002B of the IDA issued, executed, authenticated and delivered under the Master Indenture, as amended and supplemented by the 2002 Supplemental Indentures.

'Subleases' shall mean collectively, the Company Sublease, the IDA Sublease and all IDA Sublease Amendments.

'Subsequent Non-Bonds Default' shall have the meaning set forth in paragraph (n)(7)(i) of this Section.

'Subsequent Notice of Termination' shall have the meaning as set forth in paragraph (l)(3) of this Section.

'Subsequent Notice of Termination Service Date' shall have the meaning as set forth in paragraph (l)(3) of this Section.

'Successor Trustee' shall mean a successor to the Trustee selected and appointed in accordance with the Indenture, which has delivered a Certificate of Assumption and Agreement in accordance with the Indenture and Section 6.4 of the Consent Agreement.

'Trustee' shall mean shall mean The Bank of New York, or any Successor Trustee under the Indenture.

'Wrongful Recording of the Leasehold Mortgage' shall have the meaning as set forth in paragraph (d) (2) (ii) of this Section 92.

'2002 Supplemental Indentures' shall have the meaning given to such term in the Consent Agreement.

(b) (1) The Lessee hereby represents to the Port Authority that the Lessee intends to finance the costs of the Redevelopment Work (including reserves, costs of issuance and capitalized interest), together with associated personal property, with the proceeds of the Bonds issued by the IDA pursuant to the Financing Transaction, and that contemporaneously with the execution of Supplement No. 1 to this Lease the Lessee will be executing certain of the Financing Documents subject to the execution by the Lessee, the Port Authority, the Trustee, AMR and the IDA of the Consent Agreement.

(2) It is expressly acknowledged that the intent of the parties hereto is that the Leasehold Mortgage is to be granted by the Lessee to the Trustee pursuant to the provisions hereof, solely for the purposes of allowing the Trustee in its capacity as Leasehold Mortgagee to exercise its Reletting Rights with respect to the Mortgaged Premises, as the implementation of the security afforded to the Bondholders solely with respect to the Mortgaged Premises by virtue of the Leasehold Mortgage, and to obtain an Approved Successor Lessee during the Foreclosure Period if it elects to do so pursuant to this Section.

(c) (1) Notwithstanding the provisions of Section 19 of this Lease and any other provision of this Lease, and without otherwise limiting the generality thereof, the Lessee, but only as part of the Financing Transaction, shall have the right (exercisable one time only) to execute the Leasehold Mortgage and to date, execute, deliver and record the same in accordance with this Lease including without limitation this Section 92 and the Consent Agreement,

provided that, the Consent Agreement shall have been duly executed by all the parties thereto and have been delivered by the Port Authority to the other parties thereto, and, provided, further, that on or prior to the date this Supplement No. 1 to the Lease is executed, the terms and conditions of Section 4.3 of the Consent Agreement shall have been met.

(2) It is hereby understood and agreed that in no event shall the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage exceed the amount of Two Billion Three Hundred Million Dollars and No Cents ($2,300,000,000.00), determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents.

(3) It is hereby understood and agreed that there shall be only one (1) Leasehold Mortgage and the Leasehold Mortgage shall only mortgage the leasehold interest of American Airlines, Inc. (the Lessee on the Supplement One Effective Date) or of a Section 19 Assignee (in the event of a permitted assignment of the Lease to a Section 19 Assignee prior to the Reletting Rights Effective Date) in the Mortgaged Premises under the Lease; provided, however, that if the Lessee granting the Leasehold Mortgage is also a Section 19 Assignee it may make such granting of the Leasehold Mortgage only if it also assumes all of the obligations of the Lessee under the Consent Agreement and also assumes all of the obligations of the Guarantor under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds.

(4) It is hereby understood and agreed that the Leasehold Mortgage shall only secure the obligations of (i) American Airlines, Inc. (including its permitted successors as Guarantor pursuant to and under the American Airlines Guaranty, provided that each such permitted successor is then the Lessee under this Lease) under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR Corporation (including its permitted successors as Guarantor pursuant to and under the AMR Guaranty) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds.

(5) The Leasehold Mortgage shall not be executed, delivered, dated or recorded, or otherwise become effective, except as provided in and in accordance with paragraph (d) of this Section and shall terminate as provided in and in accordance with paragraph (e) of this Section and Article 5.2 of the Consent Agreement.

(d) (1) Without limiting Section 19 or any other term or provision of this Lease or any term or provision of the Consent Agreement, and notwithstanding anything herein or in the Financing Documents, the Leasehold Mortgage or any consent or approval of the Port Authority thereto to the contrary, (i) the Leasehold Mortgage shall not be effective, (ii) the lien created by the Leasehold Mortgage shall not attach, (iii) the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, (iv) the Leasehold Mortgage shall not be executed, dated, delivered or recorded and (v) the Reletting Rights shall not be exercisable, unless all of the Reletting Rights Effective Date Conditions (set forth in items (i) through (v) of this paragraph (d) shall have occurred:

(i) the Port Authority shall have received from the Lessee the certificates required to be delivered to the Port Authority by paragraph (n)(1) of Section 2B of this Lease, certifying that there has been substantial completion of the Redevelopment Work;

(ii) the Redevelopment Work Completion Date shall have occurred;

(iii) the Lessee shall have received from the Port Authority the Port Authority certificate pursuant to Section 2B(n)(1) of this Lease;

(iv) the Lessee shall have made a Redevelopment Work Investment in the Premises of not less than (Ex.2.a.) as such investment shall have been evidenced as set forth in the definition of Redevelopment Work Investment in Section 91 of the Lease, and the Lessee shall have received from the Port Authority either (A) an Audit Confirmation Notice or (B) a Reliance Notice in accordance with subparagraph (3) below of this paragraph (d);

(v) the Port Authority shall have received from the Lessee a certificate signed by a responsible officer of the Lessee certifying that the Premises contains not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of aircraft gate positions as shall satisfy the requirement for item (iii) of the Required Conditions set forth in the definition of Required Conditions in Section 91 of the Lease.

(2) (i) (A) The Leasehold Mortgagee shall, at such time it deems appropriate following its receipt of the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee (after the occurrence of all of the Reletting Rights Effective Date Conditions set forth in items (i) through (v) above), record or present for recording the Leasehold Mortgage in the appropriate filing office as required by and in compliance with all applicable law.

(B) In no event shall the Leasehold Mortgage be recorded until the Port Authority and the Leasehold Mortgagee shall have received from the Lessee a notice (in the form attached to the Consent Agreement as Exhibit P thereof) indicating the Lessee's intention to date, execute and deliver to the Leasehold Mortgagee for recording the Leasehold Mortgage not earlier than fifteen (15) business days after the date of the delivery of such notice to the Port Authority, and containing the Lessee's certification that such dating, execution, delivery and recording of the Leasehold Mortgage is and shall be in compliance with the Lease and the Consent Agreement and that that the conditions set forth in the foregoing items (i) through (v) of this paragraph (d) have been fulfilled, and which notice shall have attached thereto a copy of the Leasehold Mortgage to be recorded as dated, signed, and acknowledged by the Lessee (the "Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee").

(ii) Notwithstanding the foregoing, it is expressly understood and agreed that any dating, execution, delivery or recording of the Leasehold Mortgage by the Lessee, the Leasehold Mortgagee or any other person prior to the occurrence of all of the Reletting Rights Effective Date Conditions set forth in items (i) through (v) above or in violation or contravention of any of the terms, provisions, covenants and conditions of the Lease or the Consent Agreement including but not limited to any recording of a form of the Leasehold Mortgage which is not the same as the form attached to the Consent Agreement, or any dating, executing, delivery or recording of the Leasehold Mortgage by the Lessee, the Leasehold Mortgagee or any other person which is in violation of any term, covenant, condition, provision or representation contained or made in the Lease or the Consent Agreement, or, without limiting any of the foregoing, any recording of the Leasehold Mortgage by any person other than the Leasehold Mortgagee (each of the foregoing, a "Wrongful Recording of the Leasehold Mortgage") shall constitute a material breach of this Lease by the Lessee and an event of default under Section 20 hereof permitting the Port Authority to terminate the Lease in accordance with Section 20 hereof, in addition to and without limiting any other rights or remedies of the Port Authority, legal, equitable or otherwise, under the Lease or otherwise; and any such Wrongful Recording of Leasehold Mortgage shall not constitute the Trustee as the Leasehold Mortgagee nor entitle the Trustee to any of the Reletting Rights or rights thereunder or any other rights against the Lease or the Premises or the Port Authority. Without limiting any of the foregoing or any of the indemnities given in favor of the Port Authority under the Lease or otherwise, the Lessee hereby expressly covenants, represents and warrants to the Port Authority that the Lessee shall cooperate with the Port Authority and shall promptly take or cause to be taken any and all actions requested or required by the Port Authority or required under applicable law to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage including but not limited to the execution and filing of all appropriate instruments; and the Lessee shall ensure that its agreements with the Trustee, including but not limited to the Indenture and the Leasehold Mortgage incorporate the provisions of this subparagraph (d) (2), including similar obligations of the Trustee with respect to the foregoing. The foregoing covenant, representation and warranty of the Lessee shall survive any such termination of the Lease. Failure of the Port Authority to object to any Wrongful Recording of the Leasehold Mortgage shall not be deemed to constitute a waiver of any of the foregoing terms and covenants of this paragraph (d) or to be a waiver of any claim, right or remedy or defense of the Port Authority legal, equitable or otherwise, under the Lease or otherwise or to bar or preclude the Port Authority from asserting any such claim, right, remedy or defense.

(3) (i) It is acknowledged that Section 91 of the Lease sets forth the definition of the "Redevelopment Work Investment" in the Premises and the requirements for the certification of said Redevelopment Work Investment by the Lessee to the Port Authority including without limitation the obligation of the Lessee to deliver certificates to the Port Authority evidencing from time to time the amounts comprising the Redevelopment Work Investment, with such certificates to be signed by a responsible fiscal officer of the Lessee and sworn to before a notary public and which certificates are to set forth specified information and be accompanied by specified documentation, all as set forth in said Section 91 of the Lease (each such certificate meeting all of the requirements and conditions of Section 91 of the Lease is, for purposes of this paragraph (d) including the requirement for cumulative totals as stated in the following sentence, hereinafter referred to as a "Section 91 Redevelopment Work Investment

Certificate" and used in the plural as "Section 91 Redevelopment Work Investment Certificates"). Each Section 91 Redevelopment Work Investment Certificate shall contain the certification of the Lessee under the Lease of the amount of the Redevelopment Work Investment during the applicable period covered thereby, and shall, pursuant to and without limiting Section 91 of the Lease, also contain the certification of the Lessee under the Lease of the cumulative total amount of the Redevelopment Work Investment in the Premises (as defined in the Lease) during all periods from September 24, 1998 through the end of the period covered by the particular Section 91 Redevelopment Work Investment Certificate.

(ii) Without limiting Section 91 of the Lease or any other term, provision, covenant, or condition of the Lease, it is hereby agreed, solely for purposes of determining the fulfillment of the condition set forth in item (1) (iv) of this paragraph (d) (whether the Lessee has made a Redevelopment Work Investment, as defined in Section 91 of the Lease, in the Premises of not less than with respect to the determination hereunder of when the Leasehold Mortgage is to be dated, executed, delivered and recorded, that when, and only if, the Port Authority has actually received from the Lessee Section 91 Redevelopment Work Investment Certificates cumulatively totaling at least No Cents provided the Lessee shall have submitted such Section 91 Redevelopment Work Investment Certificates equaling or exceeding the aforesaid cumulative amount not later than December 1, 2014, the Port Authority shall, not later than one year after the date on which the Port Authority shall have received a Section 91 Redevelopment Work Investment Certificate that sets forth a cumulative total equaling or exceeding deliver to the Lessee, with a copy to the Leasehold Mortgagee, a written notice that either (A) the Port Authority audit confirms Redevelopment Work Investment by the Lessee of not less than ("Audit Confirmation Notice"), or (B) that the Port Authority audit does not confirm Redevelopment Work Investment by the Lessee of not less than including or setting forth the Port Authority audit findings applicable thereto which shall include specification of any unqualified costs ("Audit Nonconfirmation Notice") or (C) that the Port Authority elects, solely for purposes of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the dating, executing, delivery and recording of the Leasehold Mortgage, to rely on the Lessee's Section 91 Redevelopment Work Investment Certificates as submitted by the Lessee to the Port Authority without completion of an audit ("Reliance Notice"). The Lessee expressly acknowledges and agrees that in delivering any and all Section 91 Redevelopment Work Investment Certificates to the Port Authority that the Lessee expressly authorizes the Port Authority and the Leasehold Mortgagee to rely on the same for the aforesaid purposes hereof including without limitation the election by the Port Authority to deliver the Reliance Notice.

(iii) In the event the Port Authority delivers to the Lessee and the Leasehold Mortgagee the Audit Confirmation Notice or the Reliance Notice, the aforesaid condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed fulfilled, solely for purposes in connection with the determination under this Section 92 of whether the Leasehold Mortgage is to be dated, executed, delivered and recorded.

(iv) In the event the Port Authority delivers to the Lessee and the Leasehold Mortgagee an Audit Nonconfirmation Notice, as above described, it is expressly understood and

agreed that, without limiting any rights or remedies of the Port Authority under the Lease or otherwise, the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed to have not been fulfilled and the Leasehold Mortgage shall not be dated, executed, delivered or recorded.

(v) In the event that, subsequent to the delivery by the Port Authority of an Audit Nonconfirmation Notice, as described above, the Lessee continues to submit additional (not previously submitted) Section 91 Redevelopment Work Investment Certificates (each, an "Additional Section 91 Redevelopment Work Investment Certificate", and in the plural, "Additional Section 91 Redevelopment Work Investment Certificates") in accordance with, and meeting all of the requirements of, Section 91 of the Lease (including without limitation all documentation and information required under the Lease) and subparagraph (i) of this paragraph (d) (3) (but in no event later than December 1, 2014), when, and only if, the Port Authority actually receives such Additional Section 91 Redevelopment Work Investment Certificates that cumulatively, with the qualified costs under any Section 91 Redevelopment Work Certificates previously submitted, total not less than the Port Authority within one year thereafter will, with respect to such Additional Section 91 Redevelopment Work Investment Certificates, deliver to the Lessee, with a copy to the Leasehold Mortgagee, either (A) an Audit Confirmation Notice, in which case the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed fulfilled, solely for purposes in connection with the determination of whether the Leasehold Mortgage is to be dated, executed and recorded; or (B) an Audit Nonconfirmation Notice, in which case, without limiting any rights or remedies of the Port Authority under the Lease or otherwise, the condition set forth above in item (1) (iv) of this paragraph (d) shall be deemed to have not been fulfilled and the Leasehold Mortgage shall not be dated, executed, delivered or recorded or (C) a Reliance Notice, stating that the Port Authority elects, solely for purposes of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the dating, executing, delivery and recording of the Leasehold Mortgage, to rely on the Lessee's Additional Section 91 Redevelopment Work Investment Certificates without completion of an audit. The Lessee expressly acknowledges and agrees that in delivering the Additional Section 91 Redevelopment Work Investment Certificates to the Port Authority that the Lessee expressly authorizes the Port Authority and the Leasehold Mortgagee to rely on the same for the aforesaid purposes hereof including without limitation the election by the Port Authority to deliver the Reliance Notice.

(vi) Neither the foregoing provisions nor the procedure set forth therein nor any action or notice thereunder shall be deemed to extend the term of the letting under the Lease as stated in, and subject to the conditions of, Section 3 thereof, nor to alter, amend or waive any of the terms, provisions, covenants and conditions of the Lease, including, without limitation, Sections 3 and 4 thereof. The foregoing provisions shall not be deemed to release or relieve the Lessee from any of the terms, provisions, covenants and conditions of the Lease on the part of the Lessee to be kept performed and observed, including without limitation the requirements and conditions for the Lessee's evidencing, documentation and certification of the Redevelopment Work Investment as set forth in the definition of Redevelopment Work Investment in Section 91 of the Lease. The provisions of this paragraph (d) (3) are intended only to establish a procedure for determining the fulfillment of the condition set forth above in item (1) (iv) of this paragraph (d) in connection with the Lessee's dating, executing, delivery and recording of the Leasehold

Mortgage. The election whether to conduct an audit or to deliver a Reliance Notice shall be at the sole discretion of the Port Authority; neither this paragraph (d) nor anything contained herein shall be deemed to obligate the Port Authority to conduct an audit. It is expressly understood and agreed that in the event the Port Authority delivers a Reliance Notice, the foregoing provisions of this paragraph (d) (3) are not intended to, and shall not, be binding on the Port Authority with respect to the determination of the Redevelopment Work Investment for any other purposes under the Lease, including without limitation Sections 4 and 18 thereof. The delivery by the Lessee of one or more Section 91 Redevelopment Work Investment Certificates or Additional Section 91 Redevelopment Work Investment Certificates to the Port Authority in accordance with the foregoing shall not be binding on the Port Authority and shall not waive, restrict, impair or limit Port Authority rights under the Lease, the Consent Agreement or otherwise to review and audit the Redevelopment Work Investment or any of the Section 91 Redevelopment Work Investment Certificates or Additional Section 91 Redevelopment Work Investment Certificates.

(vii) The agreement of the Lessee to the terms and provisions of this paragraph (d) (3) is a special inducement and consideration to the Port Authority in entering into this Supplement No. 1 to the Lease.

(e) Notwithstanding anything herein or in the Financing Documents, the Leasehold Mortgage or any consent or approval of the Port Authority thereto to the contrary, the Leasehold Mortgage and the Reletting Rights shall automatically terminate and end in any event upon the earliest to occur of:

(1) the expiration, surrender or termination of the Basic Lease except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of subparagraphs (2) through (10) of this paragraph (e), or for any other reason) shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights;

(2) the expiration, surrender or termination of the Lease, except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of subparagraph (1) or subparagraphs (3) through (10) of this paragraph (e)), (i) shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights and (ii) shall not terminate solely due to a deemed termination of this Lease, pursuant to Section 52(a) of this Lease, solely due to the occurrence of a Triggering Event;

(3) the termination of the consent granted under the Consent Agreement as to the Leasehold Mortgage pursuant to Section 5.2 of the Consent Agreement.

(4) the termination, expiration or surrender (including without limitation discharge or release) of both of (i) the American Airlines Guaranty (except that if

payment obligations of American Airlines, Inc. (including its permitted successors pursuant to and under the American Airlines Guaranty as the Guarantor thereunder provided each such permitted successor is then the Lessee under this Lease), thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AMR Guaranty (except that if payment obligations of AMR (including its permitted successors pursuant to and under the AMR Guaranty as the Guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(5) the date on which no Bonds shall be Outstanding;

(6) the expiration of the Reletting Election Period without the timely exercise by the Leasehold Mortgagee of its election to exercise its Reletting Rights by service of its Reletting Election Notice on the Port Authority in accordance with the terms hereof;

(7) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Reletting Rights hereunder;

(8) the effective date of the letting of the Mortgaged Premises hereunder, whether for the full Term or otherwise, to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Reletting Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of a Lease Assignment/Assumption Commencement Date, provided, however, nothing contained in this paragraph (e)(8) shall or shall be deemed to have changed any term or provision of this Section 92 including without limitation paragraph (t) hereof;

(9) the Lease Assignment/Assumption Commencement Date; and

(10) the expiration or earlier termination or cancellation of the Foreclosure Period.

(f) The Leasehold Mortgagee shall not assign or transfer the Leasehold Mortgage to any Person other than a Successor Trustee. Each Successor Trustee shall be obligated under this Section and also under the Consent Agreement, pursuant to the terms of Section 6.4 of the Consent Agreement, and shall hold the Leasehold Mortgage subject to all the terms and provisions of this Section as if it were the original Leasehold Mortgagee.

(g) Provided that nothing in this paragraph shall in any way impair or limit the rights of the Leasehold Mortgagee under this Section or the Leasehold Mortgagee's rights against the Lessee under the Leasehold Mortgage which shall be in accordance with and subject to this Section, and notwithstanding anything contained in the Leasehold Mortgage or any consent or approval of the Port Authority thereto, it is understood and agreed that the rights of the Leasehold Mortgagee shall in all respects be as specified in the Leasehold Mortgage (provided

that a copy of this Section and a copy of the Consent Agreement is attached thereto) and this Section, and shall be subject to, controlled by and dependent upon the terms, covenants, conditions and provisions set forth in this Lease and the Consent Agreement. The terms, covenants, conditions and provisions of this Lease shall govern as between the Port Authority and the Lessee. As between the Port Authority and the Leasehold Mortgagee, in the event of any inconsistency between the terms, covenants, conditions and provisions of this Lease and the terms, covenants, conditions and provisions of the Leasehold Mortgage or the Indenture or any of the other Financing Documents, the terms, covenants, conditions and provisions of this Lease shall control. Notwithstanding any provisions of the Leasehold Mortgage to the contrary, the Lessee for all purposes (except for purposes of paragraph (r) (2) of this Section) shall be deemed to be the Lessee hereunder (subject to the Leasehold Mortgagee's Reletting Rights herein granted) unless and until the Leasehold Mortgagee shall have obtained an Approved Successor Lessee.

(h) (1) Any approval or consent by the Port Authority hereunder whether to the Leasehold Mortgage or to any assignment thereof shall apply only to the specific transaction thereby authorized and shall not relieve the Lessee or the Leasehold Mortgagee from the requirement of obtaining the prior approval or consent of the Port Authority to each and every further assignment of the Leasehold Mortgage (except if otherwise expressly permitted hereunder without such approval).

(2) Neither this Section nor the Leasehold Mortgage shall prevent the Lessee hereunder from amending this Lease without the approval of the Leasehold Mortgagee, provided, however, that:

(i) until the Leasehold Mortgage shall have terminated as provided in paragraph (e) of this Section, no amendment shall be made to this Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) until the Leasehold Mortgage shall have terminated as provided in paragraph (e) of this Section, no amendment which shall only affect an Approved Successor Lessee, without affecting the Lessee, shall be made to this Lease without the prior written consent of the Leasehold Mortgagee.

(i) (1) Except as expressly authorized in above paragraph (c) of this Section, the Lessee shall not mortgage the Lessee's interest in this Lease or the letting hereunder in whole or in part, or any portion of the Mortgaged Premises or the Lessee's subleasehold interests under the Subleases or either of them in whole or in part. The foregoing shall not prohibit the IDA's pledge, pursuant to the Indenture, of its interests under the IDA Sublease and the execution of any financing statements relating to the same.

(2) Neither the Approved Successor Lessee nor any other Person purchasing or succeeding to the leasehold hereunder shall have any right to pledge or mortgage the leasehold hereunder or any portion of the Premises.

(j) (1) On and after (but in no event before) the Reletting Rights Effective Date, the Port Authority shall send to the Leasehold Mortgagee a copy of each notice of default given under the Section of this Lease entitled 'Termination by the Port Authority' or otherwise at the same time as and whenever any such notice of default shall have been sent to the Lessee, and no notice of default given by the Port Authority from and after the Reletting Rights Effective Date shall be deemed to have been given by the Port Authority unless and until a copy thereof shall have been so given to the Leasehold Mortgagee. Effective as of the Reletting Rights Effective Date, but not before, the Lessee irrevocably directs that the Port Authority accept, and the Port Authority agrees to accept, the curing of such default with respect to the Mortgaged Premises by the Leasehold Mortgagee as if and with the same force and effect as though cured by the Lessee. Anything to the contrary herein notwithstanding, it is expressly understood and agreed that the right of the Port Authority to terminate the Lease based on the Wrongful Recording of Leasehold Mortgage shall not be subject to the Reletting Rights of the Leasehold Mortgagee or to the immediately preceding sentences of this paragraph (j), and that any notice of termination given by the Port Authority to the Lessee based on such right of termination shall not be required to be given to the Leasehold Mortgagee, and the Leasehold Mortgagee shall not have any rights to cure such default by the Lessee.

(2) The copies of notices of events of default to be sent to the Leasehold Mortgagee as provided in paragraph (j)(1) of this Section and all other notices to be given to the Leasehold Mortgagee pursuant to this Section, shall be sent to 101 Barclay Street, New York, New York 10286 or to such other address as The Bank of New York or a Successor Trustee shall have last furnished to the Port Authority in writing for the purpose of sending of notices to the Leasehold Mortgagee pursuant to this Section.

(k) The Leasehold Mortgagee shall not have any right in or to the occupancy or use of the Mortgaged Premises except (i) to the extent necessary to cure Lessee's default in accordance with paragraph (j) of this Section and (ii) to fulfill the Leasehold Mortgagee's obligations under paragraph (n)(3)(i) of this Section. The Leasehold Mortgagee shall not enter into or be entitled to enter into possession of the Mortgaged Premises under this Lease except to the extent afforded to it under this Lease.

(l) Lease Termination-Service of Notice of Termination:

(1) If on or after (but in no event shall the following apply before) the Reletting Rights Effective Date, the Port Authority shall elect to terminate the letting of the Premises under this Lease pursuant to Section 20 of this Lease entitled "Termination by the Port Authority", or otherwise, then, except as otherwise provided in subparagraph (1) of paragraph (j) of this Section 92 with respect to a Wrongful Recording of Leasehold Mortgage, the Port Authority shall at the same time send a copy of the written notice of such termination ('Notice of Termination') to the Leasehold Mortgagee (the date of the sending of such Notice of Termination to the Leasehold Mortgagee being herein called the 'Notice of Termination Service Date'). The Notice of Termination shall specify the effective time and date of such termination (the 'Notice of Termination Effective Date'), which time and date must not be before 11:59 p.m. New York City time on the thirtieth (30th) day after the Notice of Termination Service Date, subject to extension as provided in paragraph (l)(2) below. If there is a first extension of the

Notice of Termination Effective Date pursuant to paragraph (l)(2) below, then the term 'Notice of Termination Effective Date' shall be deemed to then be the date which is the thirtieth (30th) day immediately succeeding the original Notice of Termination Effective Date; and if there is thereafter a second extension of the Notice of Termination Effective Date, then the 'Notice of Termination Effective Date' shall be deemed to be the date which is the sixtieth (60th) day immediately succeeding the original Notice of Termination Effective Date.

(2) Except as otherwise provided in subparagraph (1) of paragraph (j) of this Section 92, the serving of the Notice of Termination on or after (but in no event before) the Reletting Rights Effective Date by the Port Authority on the Leasehold Mortgagee in accordance with the foregoing shall trigger the Leasehold Mortgagee's Reletting Rights (solely with respect to the Mortgaged Premises) and the commencement of the Reletting Election Period (unless the Leasehold Mortgagee has previously exercised its Reletting Rights and the Reletting Election Period has previously commenced based on a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section). The Leasehold Mortgagee shall have the right to extend the Notice of Termination Effective Date for a period of thirty (30) days beyond the original Notice of Termination Effective Date, but only if the Leasehold Mortgagee shall pay to the Port Authority, on or before the original Notice of Termination Effective Date, the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees as set forth in the statement from the Port Authority referred to in the following sentence. For purposes of the making of said payment by the Leasehold Mortgagee, the Port Authority agrees to send to the Leasehold Mortgagee at least ten (10) days before the original Notice of Termination Effective Date a statement setting forth the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees; provided, that such statement shall not be conclusive (except for purposes of determining the amount required to be paid pursuant to the preceding sentence) and shall not release or relieve the Lessee or the Leasehold Mortgagee from any amounts due for such period notwithstanding any failure to include amounts due and owing in the said statement nor preclude the Port Authority from rendering a billing for the same. In the event there is an extension of the Notice of Termination Effective Date in accordance with the two foregoing sentences, the Leasehold Mortgagee shall have the right to extend the Notice of Termination Effective Date for a period of sixty (60) days beyond the original Notice of Termination Effective Date, but only if the Leasehold Mortgagee shall pay to the Port Authority, on or before the thirtieth (30th) day after the original Notice of Termination Effective Date, the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and any unpaid Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees, as set forth in the statement from the Port Authority referred to in the following sentence. For purposes of the making of said payment by the Leasehold Mortgagee, the Port Authority agrees to send to the Leasehold Mortgagee at least ten (10) days before the thirtieth (30th) day after the original Notice of Termination Effective Date a statement setting forth the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and any unpaid Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees; provided, that such statement shall not be conclusive (except for purposes of determining the amount required to be paid pursuant to the preceding sentence) and shall not release or relieve the Lessee or the Leasehold Mortgagee from any amounts due for such period notwithstanding any failure to include amounts due and owing in the said statement nor preclude the Port Authority from rendering a billing for the same. The Notice of Termination Service Date

shall be the date of commencement of the Reletting Election Period (unless the Leasehold Mortgagee has previously exercised its Reletting Rights or the Reletting Election Period has previously commenced based on a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section), which Reletting Election Period may extend to a maximum of ninety (90) days subject to and in accordance with the terms of this paragraph; provided, however, that there shall be no Reletting Rights prior to the Reletting Rights Effective Date. The Leasehold Mortgagee shall serve its Reletting Election Notice on the Port Authority on or prior to the Notice of Termination Effective Date, as such date may be extended as provided herein, stating the Leasehold Mortgagee's affirmative election to exercise its Reletting Rights with respect to the Mortgaged Premises and, provided, further, that the Leasehold Mortgagee simultaneously with the giving of its Reletting Election Notice to the Port Authority shall pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Commencement Payments as defined and set forth in paragraph (n)(1) of this Section. Neither the provisions of this paragraph (l) nor any statement given by the Port Authority pursuant to this paragraph (l) shall be deemed to impair, restrict, limit, alter or affect any claim, right or remedy of the Port Authority under the Lease or otherwise, including without limitation the right to serve a Notice of Termination under the Lease, or to limit the amounts forming the basis for any termination of the Lease by the Port Authority or for which the Lessee may be liable under Section 23 of the Lease entitled 'Survival of the Obligations of the Lessee', nor shall the same impose or create any liability on the Port Authority to, or be the basis of any claim against the Port Authority by, the Lessee, the Leasehold Mortgagee, the Bondholders, the IDA or any other party or Person with respect to any such statement provided the Port Authority has provided the same in good faith, nor shall any such statement be binding on the Port Authority or constitute or be deemed to constitute any waiver or estoppel of any claim, right or remedy of the Port Authority; provided that nothing in this sentence shall limit the rights of the Leasehold Mortgagee to extend the Notice of Termination Effective Date by paying the amount set forth in the applicable notice from the Port Authority as provided in this paragraph (l).

(3) In the event that prior to the Notice of Termination Service Date there has previously occurred a Bonds Default pursuant to paragraph (m) of this Section or a Bankruptcy Rejection Date pursuant to paragraph (r) of this Section, such subsequent occurrence of the Notice of Termination Service Date ('Subsequent Notice of Termination Service Date') shall not commence a new Reletting Election Period or, if applicable, a new Foreclosure Period, and the subsequent Notice of Termination ('Subsequent Notice of Termination') shall be deemed stayed during the balance of the previously commenced Foreclosure Period and such Foreclosure Period may continue (as the same may be extended under paragraph (n) of this Section) if and only if the Leasehold Mortgagee shall, in addition to its continued compliance with all of the Leasehold Mortgagee's Foreclosure Period Obligations including its continued payments of the Leasehold Mortgagee's Foreclosure Period Payments, pay to the Port Authority any applicable Foreclosure Period Extension Fees as set forth in paragraph (n) of this Section.

(m) Bonds Default:

(1) In the event on or after the Reletting Rights Effective Date a Bonds Default shall occur, the Leasehold Mortgagee's Reletting Election Period shall be deemed to

commence upon the date of said Bonds Default ('Bonds Default Date'), but only if such Bonds Default also constitutes an event of default under the Leasehold Mortgage giving the Leasehold Mortgagee the right to foreclose the Leasehold Mortgage. The Leasehold Mortgagee shall serve its Reletting Election Notice on the Port Authority prior to the expiration of said Reletting Election Period. Notwithstanding the foregoing, in the event either a Notice of Termination Service Date or a Bankruptcy Rejection Date occurs prior to a Bonds Default, such Bonds Default shall not trigger a new Reletting Election Period or Foreclosure Period.

(2) After the written request of the Leasehold Mortgagee to the Port Authority which may be made from time to time (but not more frequently than once per calendar month) during that portion of the term of the letting to the Lessee of the Mortgaged Premises from and after the Reletting Rights Effective Date up to the occurrence of the earlier of (i) a Notice of Termination Service Date and (ii) a Bankruptcy Rejection Date or (iii) a Bonds Default Date, the Port Authority shall promptly provide to the Leasehold Mortgagee a statement of amounts invoiced by the Port Authority to the Lessee during the sixty (60) day period preceding the date of each request and setting forth the unpaid amounts, if any, owing or estimated to be owing to the Port Authority by the Lessee under the Lease at the date of the request; provided that the Port Authority in supplying any such statement or statements to the Leasehold Mortgagee shall do so without any warranty or representation to the Leasehold Mortgagee and the Port Authority shall not be liable to the Leasehold Mortgagee, the Lessee, Bondholders or any of them, the IDA or any other party or person with respect to any information contained or not contained therein or the accuracy of the same provided it has submitted such information in good faith (each such statement of amounts invoiced, an 'Information Statement'). Neither the provisions of this paragraph (m) nor any Information Statement shall be deemed to impair, restrict, limit, alter or affect any claim, right or remedy of the Port Authority under the Lease or otherwise, including without limitation the right to serve a Notice of Termination under the Lease, or to limit the amounts forming the basis for any termination of the Lease by the Port Authority or for which the Lessee may be liable under Section 23 of the Lease entitled 'Survival of the Obligations of the Lessee', nor shall the same impose or create any liability on the Port Authority to, or be the basis of any claim against the Port Authority by, the Lessee, the Leasehold Mortgagee, the Bondholders or any of them, the IDA or any other party or Person with respect to the Information Statement provided the Port Authority has provided the same in good faith, nor shall any such Information Statement be binding on the Port Authority or constitute or be deemed to constitute any waiver or estoppel of any claim, right or remedy of the Port Authority.

(n) Leasehold Mortgagee's Foreclosure Period Obligations/Foreclosure Period Extensions

The Trustee as Leasehold Mortgagee shall have all of the following obligations upon the commencement of and during the Foreclosure Period including all extensions thereof (all of the following obligations herein collectively called the 'Leasehold Mortgagee's Foreclosure Period Obligations'):

(1) Leasehold Mortgagee's Foreclosure Period Commencement Payments- Delivery of Reletting Election Notice:

Any commencement of the Foreclosure Period, whether triggered by the delivery of a Reletting Election Notice following a Notice of Termination Service Date or a Bankruptcy Rejection Date or a Bonds Default, shall be further conditioned on the payment of the following by the Leasehold Mortgagee, and the Leasehold Mortgagee shall pay to the Port Authority simultaneously with the Leasehold Mortgagee's service of the Reletting Election Notice the following amounts ('Leasehold Mortgagee's Foreclosure Period Commencement Payments') (provided that the Port Authority shall be obligated to give the Leasehold Mortgagee at least ten (10) days' prior written notice of the amounts due under this subparagraph (n)(1) and all other subparagraphs under this paragraph (n) except as otherwise expressly provided herein):

(A) All amounts due and owing to the Port Authority under the Lease which have accrued for any and all periods up to the Reletting Election Notice Service Date, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water, and other utility charges, extermination services and additional rental under Section 16 hereof; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

(B) All amounts due and owing by the Lessee to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for a period of sixty (60) days up to the Reletting Election Notice Service Date; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

(2) Leasehold Mortgagee's Foreclosure Period Current Basis Payments From and After the First (1st) Day of the Foreclosure Period:

After the initial commencement of the Foreclosure Period and at all times during the continuation of the Foreclosure Period including any and all extensions thereof (and in addition to the Foreclosure Period Commencement Payments set forth in subparagraph (1) of this paragraph (n) and in addition to the Foreclosure Period Extension Fees set forth in subparagraphs (5), (6) and (7) of this paragraph (n)) the Leasehold Mortgagee shall pay to the Port Authority the following amounts on a current basis (the 'Leasehold Mortgagee's Foreclosure Period Current Basis Payments'), as and when due under this Lease and under the General Airport Agreement (and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees); to the extent such amounts are not paid by Lessee:

(A) All amounts due and owing to the Port Authority under this Lease on a current basis as the same become due and payable to the Port Authority under this Lease commencing as of the first day of the Foreclosure Period, including without limitation, the Ground Rental, the Area IA and Area IB Building Rental, the Area I Building Rental, the Area II Building Rental, the Terminal Rental, the Extension Rentals, amounts for Hot Water and Chilled

Water, the Cost of Assumable Maintenance and Repair, the Lessee's portion of the Costs of the Condition Survey, late charges, fees on In-Flight Meals, the Lessee's Parking Garage Contribution, handling fees, subletting fees, fees on consumer services, electrical, water, and other utility charges, extermination services and additional rental under Section 16 hereof, to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee.

(B) All amounts due and owing to the Port Authority by the Lessee under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees on a current basis accrued on or after the commencement of the Foreclosure Period as the same become due and payable to the Port Authority commencing as of the first day of the Foreclosure Period; to the extent such amounts have not been paid to the Port Authority by the Lessee or the Leasehold Mortgagee.

(3) Other Leasehold Mortgagee's Foreclosure Period Obligations From and After the First (1st) Day of the Foreclosure Period:

(i) At all times during the Foreclosure Period the Leasehold Mortgagee shall use all reasonable efforts to preserve the value of the Mortgaged Premises hereunder until it has possession of the Mortgaged Premises under the Lease, and thereafter shall fulfill all obligations under the Lease with respect to the preservation of the Mortgaged Premises;

(ii) Immediately upon the commencement of the Foreclosure Period the Leasehold Mortgagee shall use commercially reasonable efforts to obtain an Approved Successor Lessee for the Mortgaged Premises for the balance of the term hereunder or such lesser term as it proposes to lease, subject to the consent of the Port Authority in accordance with and subject to paragraphs (t) and (u) of this Section; provided further, that if, within the Foreclosure Period, the Leasehold Mortgagee selects a Proposed Successor Lessee for the Mortgaged Premises it shall give prompt written notice thereof to the Port Authority including all information described in paragraph (t) of this Section (provided, however, that failure by the Leasehold Mortgagee to give such written notice promptly shall not be deemed to be a violation of the terms of this Section or the Consent Agreement and shall not be deemed to impair the Reletting Rights of the Leasehold Mortgagee except that there shall be no Approved Successor Lessee where the Port Authority is unable to make a determination under paragraph (t) (3) resulting from such failure of the Leasehold Mortgagee; provided, further, however, that such failure by the Leasehold Mortgagee to promptly give such notice and information to the Port Authority shall also mean that there shall be no tolling of the Foreclosure Period or of the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees under paragraph (t) (3) hereof); it being understood and agreed that any such Approved Successor Lessee shall be obligated to pay to the Port Authority all the rentals, fees, charges and other amounts payable under the Lease, all of which shall be applicable to and paid by the Approved Successor Lessee during the reletting of the Mortgaged Premises to the Approved Successor Lessee, and shall be in addition to the Deferred Reletting Fee or the Deferred Reletting Fee Rental, as the case may be, required to be paid to the Port Authority as described in paragraph (u) of this Section.

(4) Initial Foreclosure Period - 91st to 180th days:

Upon any commencement of the Foreclosure Period, whether triggered by a Lease Default (Notice of Termination or Bankruptcy Rejection Date) or a Bonds Default, the Leasehold Mortgagee shall (to the extent permitted by law) promptly and diligently and in good faith commence and continue and seek to complete proceedings to foreclose upon the Leasehold Mortgage and, in the event the Lessee fails to vacate the Mortgaged Premises including eviction of the Lessee therefrom; provided that in the event the Leasehold Mortgagee continues diligently to continue and complete the foreclosure proceedings including eviction of the Lessee and, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee by 11:59 pm New York City time on the ninetieth (90th) day from the initial commencement of the Foreclosure Period, then, provided that not less than five (5) days prior to the expiration of said initial 90-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings and subject to the further condition set forth below, the initial Foreclosure Period shall be deemed extended for an additional ninety (90) days and shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the one hundred and eightieth (180th) day from the initial commencement of the Foreclosure Period subject to the extension under subparagraph (5) of this paragraph (n); subject, however, to the further condition that during the said 91st to 180th days of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(5) Initial Foreclosure Period - 181st to 270th Days:

In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose upon the Leasehold Mortgage, including eviction of the Lessee, and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee by 11:59 p.m. New York City time on the 180th day from the commencement of the Foreclosure Period, then, provided that not less than five (5) days prior to the expiration of said 180-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, and subject to the further conditions set forth below, the Foreclosure Period shall be deemed extended for an additional 90 days which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 270th day from the initial commencement of the Foreclosure Period); subject, however, to the following further conditions:

(i) that during the said 181st to 270th days of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 181st to 270th day period a Foreclosure Period Extension Fee in the amount of Eight Million Ninety Thousand Dollars and No Cents ($8,090,000.00). The said Foreclosure Period Extension Fee shall be payable to the Port Authority in three equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next two installments shall be due and payable by the Leasehold Mortgagee on the 210th day and on the 240th day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; however, the same shall be subject the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(6) Foreclosure Period Additional Extensions - To Maximum Aggregate Total of 720 days/Foreclosure Period Extension Fees:

Pre-conditions to additional extensions: It is expressly understood and agreed that unless each of the following conditions is satisfied prior to 11:59 p.m. New York City time on the 270th day of the Foreclosure Period (as extended under the foregoing subparagraph (5)) there shall be no further extension of the Foreclosure Period beyond the 270th day: (aa) the Leasehold Mortgagee has previously identified and proposed to the Port Authority a Proposed Successor Lessee pursuant to and in accordance with the terms and provisions of paragraph (t) of this Section and in full compliance with all of the requirements and conditions of said paragraph (t), (bb) such Proposed Successor Lessee meets all of the requirements for becoming an Approved Successor Lessee, as determined by, and to the satisfaction of, the Port Authority, (cc) such Proposed Successor Lessee, the Leasehold Mortgagee, the Lessee (if required pursuant to paragraph (t) (2) hereof) and the Port Authority have executed the Lease Assignment/Assumption and Consent Agreement subject to, and under which the Proposed Successor Lessee will become the Approved Successor Lessee commencing only upon, the successful completion by the Leasehold Mortgagee of the foreclosure and eviction proceedings prior to the expiration of the Foreclosure Period (if and as extended not to exceed an aggregate maximum total of 720 days). The foregoing pre-conditions shall be in addition to the conditions set forth below which the Leasehold Mortgagee must satisfy with respect to each of the following additional extensions of the Foreclosure Period.

(A) Foreclosure Period extension 271st to 360th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the

Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 270th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 270-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for an additional 90 days which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes 360th day from the commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 271st to 360th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 271st to 360th day extension a Foreclosure Period Extension Fee in the amount of]. The said Foreclosure Period Extension Fee shall be payable to the Port Authority in three equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next two installments shall be due and payable by the Leasehold Mortgagee on the 301st day and on the 331st day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(B) Foreclosure Period extension 361st to 540th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently

continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 360th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 360-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for an additional period which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 540th day from the initial commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 361st to 540th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 361st to 540th day extension a Foreclosure Period Extension Fee in the amount of). The said Foreclosure Period Extension Fee shall be payable to the Port Authority in six equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next five installments shall be due and payable by the Leasehold Mortgagee on the 391st day, on the 421st day, on the 451st day, on the 481st day, and on the 511th day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(C) Foreclosure Period final extension 541st to 720th days/Foreclosure Period Extension Fee:

In the event the Leasehold Mortgagee, during the initial 90 days of the

Foreclosure Period, as aforesaid, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Lessee from the Mortgaged Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete said foreclosure proceedings including eviction of the Lessee from the Mortgaged Premises by 11:59 p.m. New York City time on the 540th day from the commencement of the Foreclosure Period and the pendancy of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, provided that not less than five (5) days prior to the expiration of said 540-day period the Leasehold Mortgagee shall give written notice to the Port Authority, which notice shall contain the Leasehold Mortgagee's certification of the foregoing to the Port Authority including the status of the aforesaid foreclosure proceedings, the Foreclosure Period shall be deemed extended for a final period which shall expire on the earlier of (aa) the Lease Assignment/Assumption Commencement Date or (bb) 11:59 p.m. New York City time on the date which constitutes the 720th day from the initial commencement of the Foreclosure Period; subject, however, to the following further conditions:

(i) that during the said 541st to 720th day extension of the Foreclosure Period the Leasehold Mortgagee shall perform and pay all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(ii) that the Leasehold Mortgagee shall pay to the Port Authority for the said 541st to 720th day extension a Foreclosure Period Extension Fee in the amount of). The said Foreclosure Period Extension Fee shall be payable to the Port Authority in six equal 30-day installments; the first such installment shall be due and payable by the Leasehold Mortgagee at the same time the Leasehold Mortgagee delivers its aforesaid 5-day certification notice to the Port Authority; and the next five installments shall be due and payable by the Leasehold Mortgagee on the 571st day, on the 601st day, on the 631st day, on the 661st day, and on the 691st day of the Foreclosure Period; provided, however, that, subject to the provisions of subparagraph (2) of paragraph (t) of this Section, after the occurrence of the Lease Assignment/Assumption Commencement Date (as defined in subparagraph (2) of paragraph (t) of this Section) no installment(s) for any subsequent 30-day period of this extension shall be payable.

The foregoing Foreclosure Period Extension Fee payments shall apply as stated above where the Foreclosure Period initially commenced on any basis other than the sole occurrence of a Bonds Default; and the same shall be subject to the provisions of subparagraph (7) of this paragraph (n) in the event the Foreclosure Period initially commenced solely on the basis of a Bonds Default and thereafter a 'Subsequent Non-Bonds Default' as defined in subparagraph (7) of this paragraph (n) occurred during the Foreclosure Period.

(7) Foreclosure Period Extension Fees/initial Bonds Default followed by a Lease Termination or Bankruptcy Rejection Date.

(i) For purposes of this subparagraph (7) the term 'Subsequent Non-Bonds Default' shall mean the occurrence of either a Notice of Termination Service Date or a Bankruptcy Rejection Date (whichever is first to occur) subsequent to the initial commencement of the Foreclosure Period which commencement was based solely on the occurrence of a Bonds Default. In the event that the Foreclosure Period initially commences as a result solely of a Bonds Default, the Foreclosure Period Extension Fees shall not be payable unless and until there occurs a Subsequent Non-Bonds Default; provided that such Subsequent Non-Bonds Default shall neither commence a new Foreclosure Period nor extend the total aggregate Foreclosure Period (including all available extensions) beyond the allowable maximum aggregate total of 720 days. In the event of such Subsequent Non-Bonds Default the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees, set forth in subparagraphs (5) and (6) (A), (B) and (C) of this paragraph (n), shall be deemed to commence at the installment rate determined in accordance with the following: if the Subsequent Non-Bonds Default occurs during the initial 90 days after the commencement the Foreclosure Period the actual date of said Subsequent Non-Bonds Default shall be treated as day 1 of the Foreclosure Period and the Foreclosure Period Extension Fees set forth above shall commence on the 181st day following the date of said Subsequent Non-Bonds Default at the applicable 30-day installment rate in accordance with the subparagraph (5) of this paragraph (n); if such Subsequent Non-Bonds Default occurs after the 90th day of the Foreclosure Period the 90th day of the Foreclosure Period shall be treated as day 1 of the Foreclosure Period and the Foreclosure Period Extension Fees shall, where the Subsequent Non-Bonds Default occurs between the 91st and the 270th days of the Foreclosure Period, commence on the 271st day of the Foreclosure Period at the 30-day installment rate applicable on the 181st day thereof (271 minus 90); and where the Subsequent Non-Bonds Default occurs between the 271st and the 720th days of the Foreclosure Period the Foreclosure Period Extension Fees shall commence on the actual date of the Subsequent Non-Bonds Default at the 30-day installment rate applicable on the 90th day preceding such actual date.

For illustrative purposes only the following two examples of the foregoing are provided:

Example 1. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 20th day after such commencement of the Foreclosure Period, the 20th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 200th day of the Foreclosure Period at the 30-day installment rate set forth in subparagraph (5) of this paragraph (n) (the 181st-270th day installment rate); alternatively, if the Subsequent Non-Bonds Default occurred on the 150th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period shall be treated as day 1 and said 150th day would be treated as day 60 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence 121 days thereafter (i.e. on the 271st day of the Foreclosure Period) at the 30-day installment rate applicable on the 181st day as set forth in subparagraph (5) of this paragraph (n) (the 181st-270th days rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure

Period at the 30-day installment rates set forth in subparagraphs (6) (A), (B) and (C) of this paragraph (n).

Example 2. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 70th day after such commencement of the Foreclosure Period, the 70th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 251st day of the Foreclosure Period at the 30-day installment rate set forth in subparagraph (5) of this paragraph (n) (the 181st-270th installment rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the 30-day installment rates set forth in subparagraphs (6) (A), (B) and (C) of this paragraph (n); alternatively, if the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 600th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period shall be treated as day 1 and the said 600th day would be treated as day 510 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 600th day of the Foreclosure Period at the 30-day installment rate which would be in effect on the 510th day as set forth in subparagraph (6) of this paragraph (n) (the 361st - 540th days rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the 30-day installment rates set forth in subparagraphs (6) (B) and (C) of this paragraph (n).

(ii) The Leasehold Mortgagee shall pay to the Port Authority the Foreclosure Period Extension Fees in the monthly installments determined in accordance with the foregoing immediately upon the commencement date established in accordance with the foregoing and on the first day of each 30-day period thereafter occurring during the Foreclosure Period.

(iii) The foregoing provisions of this subparagraph (7), however, shall not in any event extend, or be construed to extend, the Foreclosure Period beyond the maximum permissible aggregate total of 720 days (including all extensions) but subject to the tolling of the running of the Foreclosure Period pursuant to paragraph (t)(3) of this Section 92 or from the suspension of the running of the Foreclosure Period pursuant to the last sentence of the definition of the Foreclosure Period or paragraph (r)(1)(ii)(b) of this Section 92) from the initial commencement date of the Foreclosure Period.

(o) (1) The failure of the Leasehold Mortgagee to pay the Foreclosure Period Commencement Payments when due shall result in the automatic cancellation of the Leasehold Mortgagee's Reletting Rights (and of any Foreclosure Period) and of the Leasehold Mortgage, such cancellation to be deemed effective as of the Reletting Election Notice Service Date and there shall be no further Reletting Rights or Leasehold Mortgage with respect to the Mortgaged Premises hereunder and any Notice of Termination previously stayed shall become fully effective as described below. The failure of the Leasehold Mortgagee to timely pay any of the

Leasehold Mortgagee's Foreclosure Period Payments or to fully and duly perform any of the Leasehold Mortgagee's Foreclosure Period Obligations shall result in the termination of the Foreclosure Period and the Reletting Rights and the Leasehold Mortgage automatically without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become fully effective as described below. The failure of the Leasehold Mortgagee to pay any Foreclosure Period Extension Fee when due shall result in the automatic termination and non-extension of the Foreclosure Period and the automatic termination of the Leasehold Mortgage and the Reletting Rights without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become effective as described below. Notwithstanding anything herein to the contrary but without limiting subparagraph (2) below or paragraph (s) of this Section, the sole right or remedy of the Port Authority for the failure of the Leasehold Mortgagee to pay the Leasehold Mortgagee's Foreclosure Period Payments shall be the cancellation or termination (including non-extension) of the Leasehold Mortgagee's Reletting Rights (and of any Foreclosure Period) and of the Leasehold Mortgage.

(2) Upon any such termination or cancellation of the Foreclosure Period or any non-extension of the Foreclosure Period, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises and the Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said expiration, termination or cancellation of the Foreclosure Period in accordance with the Section of the Lease entitled 'Termination by the Port Authority' and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(p) Without limiting the terms and conditions of Sections 45 and 46 hereof and in addition thereto, during the Foreclosure Period, as to any and all portions of the Mortgaged Premises which the Lessee has vacated or from which the Lessee has been evicted, the Port Authority, until such time as the Trustee obtains an Approved Successor Lessee, may use or grant the use of a portion or portions of the Mortgaged Premises on a temporary basis (subject to a thirty (30) day right of termination by the Port Authority without cause) to other Aircraft Operators who have not conducted scheduled passenger aircraft operations at the Airport within the immediately prior thirty-six (36) calendar months, which shall be deemed a subuse under this Lease and shall not impair or limit any of the obligations or liabilities of the Lessee or the Leasehold Mortgagee; any net amount received by the Port Authority (after deducting all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith) shall be credited, as the Port Authority shall determine, either to the obligations of the Lessee to the Port Authority under this Lease and/or those obligations set forth in paragraph (n)(2)(B) of this Section. No such subuse shall be or be construed to be an acceptance of a surrender or a waiver of any claims, rights or remedies of the Port Authority or to be a reletting by the Leasehold Mortgagee or to limit the Reletting Rights of the Leasehold Mortgagee under this Section.

(q) In the event that at the expiration of the Foreclosure Period the Trustee has

failed to obtain an Approved Successor Lessee for the Mortgaged Premises in accordance with and subject to paragraphs (t) and (u) of this Section, the Reletting Rights and the Leasehold Mortgage shall terminate automatically and the Trustee shall have no further rights or obligations with respect to reletting, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Mortgaged Premises and the Lease with respect to the Mortgaged Premises shall be deemed terminated effective immediately on said expiration of the Foreclosure Period in accordance with the Section of the Lease entitled 'Termination by the Port Authority' and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Leasehold Mortgagee, the IDA, the Trustee or the Bondholders.

(r) Lease Default-Lessee Bankruptcy

(1) (i) In the event of the occurrence of a Lessee Bankruptcy on or after the Reletting Rights Effective Date and the Foreclosure Period has not previously commenced,

(A) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns the Lease to an assignee which assignee also assumes the Lease subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, purchase price, redemption premium and interest on any of the Bonds) and there are then Bonds Outstanding then the Reletting Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises with Reletting Rights to a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(B) if the Lessee as debtor in possession or the bankruptcy trustee rejects the Lease, then the Reletting Election Period shall commence upon the Bankruptcy Rejection Date and the provisions of paragraphs (l)(2) and (n) hereof shall apply. For purposes hereof the term 'Bankruptcy Rejection Date' shall mean the later of (x) the date set forth in the order of the bankruptcy court as the effective date thereof for the rejection (or deemed rejection) of the Lease by the Lessee and (y) the actual date of such order of the bankruptcy court, and said Bankruptcy Rejection Date shall trigger the Reletting Election Period, provided, that the Leasehold Mortgagee shall submit to the Port Authority its Reletting Election Notice stating its election to exercise its Reletting Rights under this Lease, as above described, within the time provided in paragraph (l)(2) of this Section; and provided, further, however, that the foregoing shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of the Lease or the Lessee Bankruptcy. The foregoing shall not limit the rights granted hereunder to the Leasehold Mortgagee.

(ii) In the event of the occurrence of a Lessee Bankruptcy on or after the Reletting Rights Effective Date and the Foreclosure Period has previously commenced,

(A) if the Lessee as debtor in possession or the bankruptcy trustee assumes and assigns the Lease to an assignee which assignee also assumes the Lease

subject to the encumbrance created by the Leasehold Mortgage (by operation of law or otherwise) (whether or not such assignee also assumes the Subleases and the Lessee's obligations to pay the principal, redemption premium and interest on the Bonds) and there are then Bonds Outstanding then the Reletting Rights of the Leasehold Mortgagee and the Leasehold Mortgage shall continue to obtain and apply to the tenancy of said assignee of the assigned Lease of the Mortgaged Premises with Reletting Rights to a new Foreclosure Period as to such assignee in accordance with and subject to this Section;

(B) if the Lessee as debtor in possession or the bankruptcy trustee rejects the Lease, then the running of the previously commenced Foreclosure Period shall be deemed suspended as of the date of the Lessee Bankruptcy and shall resume as of the occurrence of a Bankruptcy Rejection Date; provided, however, that the foregoing shall not constitute any waiver, impairment or limitation of any claims, rights or remedies of the Port Authority with respect to such rejection of the Lease or with respect to a Lessee Bankruptcy. The foregoing shall not limit the rights granted hereunder to the Leasehold Mortgagee, provided that the Leasehold Mortgagee fulfills all Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments.

(2) Upon the Bankruptcy Rejection Date the Leasehold Mortgagee shall, for purposes of this Section only, be the 'deemed Lessee' under this Lease and shall simultaneously with the service of its Reletting Election Notice pay the Leasehold Mortgagee's Foreclosure Period Commencement Payments, if not already paid, and shall thereafter satisfy all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments.

(s) In the event of the failure of the Leasehold Mortgagee to exercise its Reletting Rights by the timely service of its Reletting Election Notice and the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments in accordance with this Section, the Lease and the letting of the Mortgaged Premises shall be deemed terminated effective immediately on the Notice of Termination Effective Date (as such date may be extended subject to and in accordance with the terms of paragraph (l)(2) of this Section), or on the effective date of any other notice of termination served by the Port Authority in accordance with the Section of the Lease entitled 'Termination by the Port Authority', and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Mortgaged Premises free of any claim, right or interest of the Lessee, the Trustee, the Mortgagee, the IDA or the Bondholders.

(t) (1) No entity, party or person other than an Approved Successor Lessee shall be entitled to become the owner of or acquire any interest in this Lease pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the Leasehold Mortgagee of its Reletting Rights or otherwise; and any entity, person or party proposed to become an Approved Successor Lessee ('Proposed Successor Lessee') shall become an Approved Successor Lessee only if the Leasehold Mortgagee duly exercises its Reletting Rights by submitting to the Port Authority its Reletting Election Notice stating its

election to exercise its Reletting Rights under this Lease (including as applicable the Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees and the Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees) and including therewith the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments and fulfills all the other Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Payments, and said Proposed Successor Lessee receives the approval of the Port Authority in advance. In determining whether to approve or disapprove a Proposed Successor Lessee, the Port Authority shall consider all relevant factors, including but not limited to, the following factors, but it is agreed that the Port Authority shall analyze all such factors in a reasonable manner:

(i) whether the Proposed Successor Lessee will be able to fulfill all of the Lessee's obligations under this Lease with respect to the Mortgaged Premises throughout the balance of the term of the letting hereunder or such lesser term as it proposes to lease;

(ii) whether the financial standing of the Proposed Successor Lessee as of the effective date of its acquisition of the leasehold hereunder is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Proposed Successor Lessee is able to fulfill all of the Lessee's obligations with respect to the Mortgaged Premises under this Lease throughout the balance of the term of the letting of the Mortgaged Premises hereunder or such lesser term as it proposes to lease which shall constitute the term of the proposed reletting; including without limitation the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory and shall also submit such financial statements and other financial information as the Port Authority may require;

(iii) whether the Proposed Successor Lessee and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest has as of the date of the proposed assignment/assumption a good reputation for integrity and financial responsibility and has not been convicted of or under current indictment for any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff); and

(iv) whether the Port Authority has had any 'unfavorable experience' with the Proposed Successor Lessee, or any of its officers, directors, or partners, or any person, firm or corporation (such officers, directors, partners, person, firm and corporation, being herein in this item (iv) individually and collectively referred to as a 'Reletting Party') having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest; 'unfavorable experience' as used herein shall mean any one or more of the following: (A) a material default by said Proposed Successor Lessee or any such Reletting Party of any obligation (monetary or non-monetary) to the Port Authority; (B) any assertion made by said Proposed Successor Lessee or any such Reletting Party against the Port Authority in any frivolous, false, malicious, or

unsupportable claim, demand or allegation or suit or proceeding; (C) any act or omission of said Proposed Successor Lessee or any such Reletting Party causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority; (D) any failure or refusal of said Proposed Successor Lessee or any such Reletting Party to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, Environmental Requirements, at any Port Authority facility; (E) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by said Proposed Successor Lessee or any such Reletting Party; or (F) any breach by said Proposed Successor Lessee or any such Reletting Party of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority;

(v) whether the Proposed Successor Lessee or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest is in conflict of interest, as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed acquisition; and

(vi) whether the Proposed Successor Lessee or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest has filed a voluntary petition in bankruptcy or has been adjudicated a bankrupt within five (5) years prior to the date of the proposed acquisition.

Without limiting any other term or provision hereof, the Proposed Successor Lessee must also agree in the Lease Assignment/Assumption and Consent Agreement, to pay all of the rentals, fees, charges and other amounts payable under and in accordance with the Lease, including without limitation the amounts described in paragraph (n) (2) (A) of this Section, and the amounts set forth in paragraph (n)(2)(B) of this Section. The Proposed Successor Lessee shall use and occupy the Mortgaged Premises for the purposes set forth in Section 5 hereof and shall be a major domestic or international Scheduled Aircraft Operator or consortium thereof and shall agree (or, if a consortium, shall agree jointly and severally) in the Lease Assignment/Assumption and Consent Agreement to use and occupy the Mortgaged Premises in accordance with all the terms and conditions of this Lease.

(2) Notwithstanding the foregoing, no acquisition, assignment, sale or transfer pursuant to this paragraph (t) shall be effective, and no Proposed Successor Lessee shall become an Approved Successor Lessee, or have any right to possess, use or occupy the Mortgaged Premises unless and until an assignment and assumption agreement, in the event of an assignment in lieu of foreclosure, or an assumption agreement, in the event of a foreclosure, whereby the Proposed Successor Lessee, effective on a date prior to or simultaneously with the expiration of the Foreclosure Period, assumes the obligations of the Lessee as if it were the

original tenant hereunder, has been executed by the Port Authority, the Lessee (except in the case of an assumption agreement, in the event of a foreclosure, in which case the signature of the Lessee shall not be required and the Lessee hereby expressly so agrees), the Proposed Successor Lessee and the Leasehold Mortgagee (said fully executed agreement in either case, the 'Lease Assignment/Assumption and Consent Agreement'); subject to the payment of the Deferred Reletting Fee as set forth in paragraph (u) of this Section. The said effective date of the Lease Assignment/Assumption and Consent Agreement is herein referred to as the 'Lease Assignment/Assumption Commencement Date', provided that where the Leasehold Mortgagee has commenced proceedings to foreclose the Leasehold Mortgage, and for purposes of the continuation of the Foreclosure Period Extension Fees (as provided in paragraph (n) of this Section), such date shall be deemed to have occurred only upon the successful completion by the Leasehold Mortgagee prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 720 days) (except as the running of said 720 day Foreclosure Period may be tolled as provided in paragraph (t)(3) of this Section or suspended as provided in the last sentence of the definition of the Foreclosure Period or paragraph (r)(1)(ii)(B) of this Section) of the foreclosure and eviction proceedings described in paragraph (n) (4) of this Section; provided, further, however, that in the event the Leasehold Mortgagee does not in fact successfully complete the foreclosure of the Leasehold Mortgage and eviction proceedings as described in paragraph (n) (4) of this Section prior to the expiration of the Foreclosure Period (subject to the aggregate total maximum of 720 days (except as the running of said 720 day Foreclosure Period may be tolled as provided in the last sentence of the definition of the Foreclosure Period or paragraph (t)(3) of this Section or suspended as provided in paragraph (r)(1)(ii)(B) of this Section) the Lease Assignment/Assumption and Consent Agreement shall be null and void and of no force or effect. The Lease Assignment/Assumption Agreement shall be substantially in the forms used by the Port Authority at the time of the foreclosure or assignment in lieu of foreclosure for the assignment and assumption or assumption, as the case shall be, of leases at the Airport and shall contain such other terms and conditions as the Port Authority may determine to be necessary or desireable to effectuate such assignment and assumption or assumption.

(3) It is understood and agreed that after the Leasehold Mortgagee has obtained a Proposed Successor Lessee and has promptly submitted to the Port Authority all required and necessary information and materials (provided, however, that failure by the Leasehold Mortgagee to give such written notice promptly shall not be deemed to be a violation of the terms of this Section or the Consent Agreement and shall not be deemed to impair the Reletting Rights of the Leasehold Mortgagee except that there shall be no Approved Successor Lessee where the Port Authority is unable to make a determination resulting from such failure of the Leasehold Mortgagee; provided, further, however, that such failure by the Leasehold Mortgagee to promptly give such notice and information to the Port Authority shall also mean that there shall be no tolling of the Foreclosure Period or of the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees under this paragraph (t) (3)), in accordance with subparagraph (1) of this paragraph (t), to enable the Port Authority to determine whether it will approve such Proposed Successor Lessee as an Approved Successor Lessee (which determination includes the signing by the Port Authority, the Lessee (in the case of an assignment in lieu of foreclosure) and the Approved Successor Lessee of the Lease Assignment/Assumption and Consent Agreement), the running of the Foreclosure Period shall be

deemed tolled pending such determination by the Port Authority, such determination to be made promptly and reasonably by the Port Authority, provided, however, that no such tolling shall be effective unless the Leasehold Mortgagee promptly continues to submit such additional information and material as may be reasonably required by the Port Authority for its making of its determination. Such tolling shall also toll the Leasehold Mortgagee's obligation to pay the Foreclosure Period Extension Fees, but none of the other Leasehold Mortgagee's Foreclosure Period Obligations.

(u) Deferred Reletting Fee:

(1) Anything to the contrary herein notwithstanding, (i) no Port Authority consent shall be granted to any Approved Successor Lessee and no Proposed Successor Lessee or any other entity, person or party shall become an Approved Successor Lessee unless and until either (A) the Leasehold Mortgagee or the Proposed Successor Lessee shall pay to the Port Authority prior to the effective date of any right of the Approved Successor Lessee to possess or commence any use or occupancy of the Mortgaged Premises and prior to any such actual possession or commencement by any such Approved Successor Lessee in a single lump sum payment the full amount of the Deferred Reletting Fee, as defined below, or (B) at the election of the Approved Successor Lessee, in lieu of said single lump sum payment, the Approved Successor Lessee shall agree to pay the Deferred Reletting Fee over time in Deferred Reletting Fee Rental, as defined below, commencing as of the Lease Assignment/Assumption Commencement Date which election shall be stated in the Lease Assignment/Assumption and Consent Agreement subject to subparagraph (4) of this paragraph (u); and (ii) in the case of the foregoing (i) (B), any such Port Authority consent to any Approved Successor Lessee is and shall be expressly conditioned on the agreement of the Proposed Successor Lessee to make continuing payments to the Port Authority of the Deferred Reletting Fee Rental under subparagraph (4) of this paragraph (u); provided, however, that the Approved Successor Lessee shall also submit to the Port Authority such additional security as the Port Authority may reasonably require and in such amount and form as the Port Authority may determine to be appropriate to secure the obligation of the Approved Successor Lessee to pay said Deferred Reletting Fee Rental.

(2) 'Deferred Reletting Fee' shall mean the fee payable to the Port Authority in a single lump sum payment by the Leasehold Mortgagee or the Approved Successor Lessee, as aforesaid, and which shall be determined by applying the following formula:

DRF = MA x Y x C

Where DRF equals the Deferred Reletting Fee.

MA equals the Mortgage Amount hereunder.

Y equals a fraction the numerator of which shall be the greater of (i) the actual number of full years then remaining in the term of the letting of the Mortgaged Premises hereunder at the Reletting Election Notice Service Date and (ii) the number five (5), and the denominator of which shall be the total number of years between the Supplement One Effective Date, as defined in Supplement No. 1 of

this Lease and the earlier of (i) the day preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036.

C equals (i) 2% in the event the Foreclosure Period commenced on the basis of a Bonds Default, and a Subsequent Non-Bonds Default did not occur thereafter during the Foreclosure Period; (ii) 3% in the event the Foreclosure Period commenced on the basis of the occurrence of a Lease Termination or Bankruptcy Rejection Date, and a Bonds Default did not subsequently occur; or (iii) 4% in the event the Foreclosure Period commenced on the basis of a Bonds Default and thereafter a Subsequent Non-Bonds Default occurred, or the Foreclosure Period commenced on the basis of a Lease Termination or Bankruptcy Rejection Date, and thereafter a Bonds Default occurred.

(3) Subject to (4) below, the Deferred Reletting Fee shall be due and payable in full to the Port Authority by the Leasehold Mortgagee or the Approved Successor Lessee in a single lump sum payment on the Lease Assignment/Assumption Commencement Date (and in any event prior to any use, occupancy or possession of the Premises by the Approved Successor Lessee).

(4) In the event the Approved Successor Lessee elects to pay to the Port Authority the Deferred Reletting Fee in accordance with clause (i) (B) of subparagraph (1) of this paragraph (u) then the following provisions shall be and become immediately effective as part of the rental obligations of the Approved Successor Lessee as the lessee under the Lease and as part of the rental obligations assumed by the Approved Successor Lessee under the Lease Assignment/Assumption and Consent Agreement:

"(A) 1. 'Deferred Reletting Fee' shall have the meaning as defined in paragraph (u)(2) of Section 92 of the Lease.

2. 'Deferred Reletting Fee Rental Commencement Date' shall mean, with respect to the Deferred Reletting Fee Rental established on the basis of the Deferred Reletting Fee, the Lease Assignment/Assumption Commencement Date; provided, however, that if the Deferred Reletting Fee Rental Commencement Date shall occur on other than the first day of a calendar month, the Deferred Reletting Fee Rental Commencement Date shall mean the first day of the calendar month immediately following the month in which the aforesaid Lease Assignment/Assumption Commencement Date occurs.

3. 'Deferred Reletting Fee Rental Period' shall mean the period commencing on the Deferred Reletting Fee Rental Commencement Date and ending on the earlier of (i) the day preceding the tenth (10th) year anniversary of the Deferred Reletting Fee Rental Commencement Date and (ii) the expiration date of the then remaining term of the letting of the Mortgaged Premises after the Deferred Reletting Fee Rental Commencement Date.

4. 'Monthly Factor' shall mean the factor derived in accordance herewith by the application of the following formula:

$$\frac{1}{\frac{1}{i} - \frac{1}{i\,(1+i)^t}} = \text{Monthly Factor}$$

Where i is an annual percentage rate expressed in decimal form equal to the sum of (x) the Fixed RBI Rate (as herein defined in item 5 below) plus (y) 1.5% (150 basis points), divided by twelve (12); and where t (a power) equals the number of calendar months (expressed in whole numbers) from the Deferred Reletting Fee Rental Commencement Date to the earlier of (i) the day preceding the tenth (10th) year anniversary of the Deferred Reletting Fee Rental Commencement Date and (ii) the expiration date of the then remaining term of the letting of the Mortgaged Premises after the Deferred Reletting Fee Rental Commencement Date.

5. 'Fixed RBI Rate' as applicable to and determined for the Deferred Reletting Fee Rental hereunder shall mean the percentage reported as the weekly index of the Bond Buyer Revenue Bond Index as reported in the publication 'The Bond Buyer' during the calendar week immediately preceding the Deferred Reletting Fee Rental Commencement Date. In the event that the Bond Buyer or its weekly Bond Buyer Revenue Bond Index shall be discontinued during the term of this Lease, a comparable substitute for such Index shall be mutually agreed upon in writing by the Lessee and the Port Authority within thirty (30) days after such discontinuance. In the event that the Lessee and the Port Authority shall fail to agree upon such a substitute within the time hereinabove specified then upon notice of either party such dispute shall be disposed of by arbitration in accordance with then existing rules of the American Arbitration Association or any successor association. One half of the cost of said arbitration shall be borne by the Port Authority and the other half of said cost shall be borne by the Lessee.

(B) Computation and Payment

Commencing on the Deferred Reletting Fee Rental Commencement Date the Lessee shall pay to the Port Authority a rental (herein called the 'Deferred Reletting Fee Rental') which Deferred Reletting Fee Rental shall be an amount payable on the first day of each and every calendar month during the Deferred Reletting Fee Rental Period which shall be equal to the product obtained by multiplying the Monthly Factor by the Deferred Reletting Fee (as defined in paragraph (u)(2) of this Section) as determined on the day immediately preceding the Deferred Reletting Fee Rental Commencement Date.

(C) The Deferred Reletting Fee Rental shall be payable in the same manner and collectible with like remedies as if the same were part of the Rentals (as defined in Section 4 of this Lease), except that such payment shall not be subject to abatement or suspension for any reason whatsoever.

(D) Notwithstanding any obligation of the Lessee to pay the Deferred Reletting Fee Rental as part of the rental obligations of the Lessee hereunder, the Lessee hereby, as a separate and independent covenant, agrees and promises to pay to the Port Authority the 'Deferred Reletting Fee Payment Amount' which for purposes hereof shall mean the total amount of installments and payments to be paid by the Lessee as Deferred Reletting Fee Rental to the extent not actually paid by the Lessee as Deferred Reletting Fee Rental as set forth above. The Deferred Reletting Fee Payment Amount shall be due and payable by the Lessee to the Port Authority immediately upon any termination, expiration, non-extension or cancellation of the Lease. Said obligation and agreement of the Lessee to pay the Deferred Reletting Fee Payment Amount to the Port Authority shall survive any termination, expiration, non-extension or cancellation of the Lease."

(v) The Leasehold Mortgagee shall not be entitled to foreclose its Leasehold Mortgage or to have the Lessee's interest assigned in lieu of such foreclosure unless at least thirty (30) days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee shall have given the Port Authority written notice of its intention to foreclose or to have this Lease assigned with respect to the Mortgaged Premises which notice shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority shall have the right, following the giving of such notice by the Leasehold Mortgagee, to tender to the Leasehold Mortgagee the total amount specified in such notice from the Leasehold Mortgagee, including per diem interest through the date of such tender, and upon such tender the Leasehold Mortgage shall terminate and be of no further force and effect. Promptly following the tender of such amount specified in such notice from the Leasehold Mortgagee by the Port Authority, the Lessee shall cause to be executed a satisfaction of the Leasehold Mortgage, cause the same to be filed in the Office of the City Register for Queens County and take all other and additional actions that are required in order to discharge the lien of the Leasehold Mortgage as of record. If the Port Authority shall fail to notify the Leasehold Mortgagee within the thirty (30) day period specified in the notice of its intention to terminate the Leasehold Mortgage the Leasehold Mortgagee shall be entitled with respect to the Mortgaged Premises to proceed to foreclose the Leasehold Mortgage or to accept an assignment in lieu of foreclosure in accordance with the provisions of this Lease.

(w) No sale, transfer or assignment by the Lessee of its interest in this Lease to the Port Authority shall create a merger between the estates of the Port Authority and the Lessee unless the Port Authority, the Lessee and the Leasehold Mortgagee shall specifically consent to such merger in writing, nor shall any such sale, transfer or assignment be deemed to affect or

diminish the liabilities of the Lessee named in this Lease, whether for survived damages or otherwise.

(x) Each and every provision stated herein to be or become a right or an obligation of the Trustee or of the Leasehold Mortgagee shall be included in the Consent Agreement (by reference to this Lease or otherwise) as among the rights and obligations of the Trustee, and in Leasehold Mortgage as among the rights and obligations of the Leasehold Mortgagee under the Leasehold Mortgage, and each and every provision stated herein to be or become an obligation of the Approved Successor Lessee shall be deemed included in the obligations assumed by the Approved Successor Lessee by its acquisition of the Mortgaged Premises, the Lease with respect thereto and by its execution of the Lease Assignment/Assumption and Consent Agreement.

(y) (1) If the Leasehold Mortgagee shall obtain an Approved Successor Lessee such Approved Successor Lessee shall acquire the Lease with respect to the Mortgaged Premises with no further right to mortgage or pledge the leasehold, and shall have no right to assign the Lease with respect to the Mortgaged Premises other than the limited right of assignment provided under Section 19 hereof.

(2) Nothing herein shall or shall be deemed to release or relieve the Lessee from any terms, provisions, covenants or conditions to be kept, performed or observed by the Lessee under this Lease or under the Consent Agreement.

(3) Nothing herein shall constitute or be deemed to constitute any waiver by the Port Authority of any of its rights or remedies to evict the Lessee in the event the Port Authority terminates the Lease pursuant to the Section of this Lease entitled 'Termination by the Port Authority' and the Leasehold Mortgagee fails to properly exercise its Reletting Rights or to obtain an Approved Successor Lessee in accordance with the provisions hereof.

(5) Except for the rights granted herein to the Leasehold Mortgagee, nothing herein shall constitute any waiver, impairment or limitation of any of claims, rights or remedies of the Port Authority based upon any event of default or based on any rejection of the Lease resulting from a Lessee Bankruptcy or based on any Lessee Bankruptcy.

(6) This Section and the right of the Lessee to grant the Leasehold Mortgage and the right of the Trustee to take the Leasehold Mortgage are and shall be rights granted and effective only as to the Lessee hereunder and are exercisable one time only as above provided, and shall not extend, obtain or apply to any Approved Successor Lessee or other entity or Person who may become a tenant or lessee of the Premises or any portion thereof with no further right to grant a Leasehold Mortgage. Any Scheduled Aircraft Operator, including without limitation any Section 19 Assignee, to which the Lease is assigned with the consent of the Port Authority shall take the Lease subject to this Section 92 and the prior exercise by the Lessee of said one time right to grant a Leasehold Mortgage and shall not have any further right to grant a Leasehold Mortgage.

(7) Neither this Section nor anything contained herein nor any action taken or

not taken hereunder shall impair, restrict or limit the rights of the Port Authority under Section 46 hereof.

(z) Notices, statements and requests by or to the Trustee (Leasehold Mortgagee) under the provisions of this Section shall be governed by Section 32 of the Lease entitled 'Notices' and shall be given to the Trustee at its address specified in paragraph (j)(2) of this Section.

"Section 93. No Third Party Beneficiary

There shall be no third-party beneficiaries of this Agreement. This Agreement shall be effective only as between the parties hereto (and their successors and assigns, if, as and to the extent permitted under this Agreement), and shall not be construed as creating or conferring upon any Person or entity any right, remedy or claim under or by reason of this Agreement. Notwithstanding the foregoing, nothing in this Section 93 shall deprive the Leasehold Mortgagee of any of the rights granted to the Leasehold Mortgagee under Section 92 of the Lease."

"Section 94. Additional Lessee Covenants

(a) (1) The Lessee agrees that, except as provided in subparagraph (a)(2) below, that in negotiating the provisions of the City-American Lease with the City or its designee, which designee shall for the purposes of this Section 94 exclude the Port Authority, the Lessee will not, without the prior written permission of the Port Authority, execute the City-American Lease unless the term of the City-American Lease shall commence on the day first following the day after the Expiration Date and shall end on the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036.

(2) The Lessee further agrees that if the City and the Port Authority shall, either before or after the execution of the City-American Lease, reach mutual written agreement on a different date that the term of the City-American Lease shall commence, whether in the Basic Lease, the Airport Lease, a future agreement to enter into lease by another tenant with the City for a portion of the Airport, or some similar agreement affecting the Airport (which different date that the term of the City-American Lease shall commence is herein referred to as the 'New Commencement Date'), the Lessee will, at the written request of the City and the Port Authority, enter into an agreement or agreements amending the City Agreements to reflect that the commencement of the term of the City-American Lease shall be the New Commencement Date.

(b) (1) In the event that a deed is executed and delivered transferring fee title to the Airport to the Port Authority, the Lessee shall, at the written request of the City and the Port Authority, enter into an agreement or agreements providing, and/or furnish evidence satisfactory to the Port Authority, that each of the City Agreements and all other agreements relating to the Lessee's letting of the premises under this Lease with the City or its designee (excluding the Port

Authority) has been surrendered, cancelled, terminated or revoked or shall have expired, and are of no further force or effect.

(2) In the event that an Airport Lease Extension Agreement shall extend the Airport Lease to any date after the Final Lease Extension Date (as defined in Section 3 hereof), the Lessee agrees that it will at the written request of the City and the Port Authority, enter into an agreement or agreements amending the American-City Agreement and/or the City-American Lease or with respect to the American-City Agreement and/or the City-American Lease containing such terms and provisions as the City and the Port Authority shall both request in writing.

(c) (1) The Lessee agrees that in the event that after the commencement of the City-American Lease or after the Lessee has attorned to the City under the RNDA, if the City and the Port Authority come to an agreement and enter into an Airport Lease Extension Agreement (which includes the Premises), at the written request of the City and the Port Authority, the Lessee shall (i) enter into an agreement that confirms that the Lease continues, or is reinstated, as a Lease between the Lessee and the Port Authority on the terms set forth in the Lease without any modifications thereto and (ii) enter into any other agreement or agreements necessary to effectuate the purpose of such Airport Lease Extension Agreement (which includes the Premises).

(2) The Lessee agrees that in the event that after the commencement of the City-American Lease or after the Lessee has attorned to the City under the RNDA, a court of competent and final jurisdiction in the event that the City-American Lease has commenced, determines that the City-American Lease is not valid and that the Lease is still in full force and effect or in the event that the Lessee has attorned to the City under the RNDA, determines that the Airport Lease was not terminated, the Lessee shall (i) enter into an agreement that confirms that the Lease continues, or is reinstated, as a Lease between the Lessee and the Port Authority on the terms set forth in the Lease without any modifications thereto subject however to Section 3 (d) of this Lease and (ii) enter into any other agreement or agreements necessary to effectuate such final and non-appealable court decision.

(d) The Lessee agrees that it will not sell, convey, transfer, mortgage, pledge or assign any of the City Agreements unless the assignee agrees to be bound by the covenants contained in this Section 94. The Lessee further agrees that such assignment will provide that the term of the City-American Lease shall not be effective until the day first following the day after the Expiration Date, but if there is a New Commencement Date, then such assignment will provide that the term of the City-American Lease shall not be effective until the New Commencement Date.

(e) The Lessee agrees that if any of the City Agreements or such other lease have been recorded, the Lessee shall, if the City has consented in writing, cause to be recorded an amendment to each recorded City Agreement reflecting a New Commencement Date, or a release of such recorded City Agreement, as appropriate.

(f) The Lessee agrees that nothing contained in the City Agreements, or any

of them, or in Section 3 of this Lease, or in the First Supplemental Agreement, shall waive, relieve, excuse or forgive or shall be deemed to have waived, relieved, excused or forgiven the obligation of the Lessee to pay all rentals and other amounts payable to the Port Authority pursuant to this Lease.

(g) Without limiting the generality of the terms and conditions of Section 13 of the Lease entitled "Indemnity and Liability Insurance" or paragraph (e)(7) of Section 3 of this Lease, the Lessee shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives, from and against (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses, whether those of the Port Authority's Law Department or otherwise, incurred in connection with the defense of) all claims and demands whatsoever including without limitation direct, indirect, consequential or unforeseen damages, of third persons, including without limitation the City, resulting from or in connection with any breach or default of the Basic Lease by the Port Authority or the City arising out of or in connection with the City Agreements or any of them, the Leasehold Mortgage or any of the terms and provisions thereof, or the terms and provisions of paragraph (e)(2)(iv) of Section 3 of the Lease. If so directed, the Lessee shall at its own expense defend any suit based upon any such claim or demand (even if such claim or demand is groundless, false or fraudulent), and in handling such it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(h) The Lessee agrees that it shall not claim that the American-City Agreement constitutes or shall constitute or creates any estate or other property right or property interest in the Premises.

(i) Without limiting the generality of paragraph (h) of this Section 94, the Lessee further agrees that it shall not claim that the City Agreements constitute or create any estate, right or interest in the Premises subsequent to the Final Lease Extension Date.

(j) Paragraphs (a)(2), (b), (c)(1), (g) and (h) of this Section 94 shall survive the expiration or termination of this Lease."

5. Paragraph (a) of Section 19 of the Lease shall be amended to read as follows:

"(a) (1) (A) The Lessee covenants and agrees that it will not sell, convey, transfer, mortgage, pledge or assign this Agreement or any part thereof, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; provided, however, that this Agreement may be assigned in its entirety (by operation of law or otherwise) without such consent to any successor in interest of the Lessee which is or is to be a Scheduled Aircraft Operator, and into which the Lessee may merge or with which the Lessee may consolidate, or which may succeed to the assets of the Lessee or the major portion of its assets related to its air transportation system, if immediately following the merger, consolidation or assignment either (i) the entity which then is the Lessee has a Tangible Net Worth equal to at least

95% of that of the Lessee immediately preceding the merger, consolidation or assignment or (ii) the entity which then is the Lessee has Debt (as defined below) that is rated by both Rating Agencies (as defined below) at or above Investment Grade (as defined below) provided that if the Lessee's Debt is then not rated by both Rating Agencies and is only rated by one of the Rating Agencies, the rating then given by that Rating Agency rating the Lessee's Debt shall be used (the tests stated in the foregoing clauses (i) and (ii) collectively the "Financial Tests"); or, in the event neither of the Financial Tests is satisfied, if the Lessee prior to the effectuation of such assignment submits to the Port Authority the Consent Security Deposit, but in any such events, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by aircraft, and provided, further, that such succeeding entity or purchaser executes and delivers to the Port Authority an instrument in a form satisfactory to the Port Authority assuming the obligations of the Lessee as if it were the original tenant hereunder; such assignee but only after it has executed and delivered the said instrument to the Port Authority and submitted to the Port Authority the Consent Security Deposit and in compliance with all of the foregoing shall then be deemed to be the 'Lessee' under this Lease and all references to the 'Lessee' shall be deemed to refer to such assignee and in accordance with the said assumption instrument.

(B) As used in the preceding subparagraph (A), the term "Tangible Net Worth" shall mean the difference between the Lessee's total assets and the sum of (i) the Lessee's intangible assets and (ii) the Lessee's total liabilities; the term "Debt" shall mean all obligations of the entity which then is the Lessee that are evidenced by indebtedness which are considered or known as senior unsecured long-term indebtedness; the term "Grade" shall mean that evaluation of the quality of such Debt as determined by the Rating Agencies (as hereinafter defined); the term "Rating Agencies" shall mean Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and Moody's Investors Service, Inc. or, in the event of the cessation of business of either, another nationally recognized rating agency firm or firms which is in the business of evaluating the degree of financial risk associated with debt securities and makes such information available to the investment community and as may be designated as a rating agency at any such time during the term of this Agreement by the Port Authority; the term "Investment Grade" shall mean a Grade of "BBB-" or higher by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. or "Baa3" or higher by Moody's Investors Service, Inc. or such other equivalent designation that any of such Rating Agencies may use publicly in the future to designate the relative investment qualities of debt securities and to differentiate between those investments that are investment grade and those that are not;

(2) In the event that the Lessee becomes the possessor (surviving) corporation in a merger without the prior written approval of the Port Authority and neither of the Financial Tests is satisfied, the Lessee shall submit to the Port Authority within fifteen (15) days following such merger all appropriate information and documentation sufficient to allow the Port Authority to determine whether the Financial Tests are satisfied. Thereafter if the Port Authority determines that neither of the Financial Tests is satisfied the Port Authority shall by written notice advise the Lessee of the same and the Lessee shall submit the Consent Security Deposit to the Port Authority not later than fifteen (15) business days following said notice from the Port Authority (the 'Consent Security Deposit Delivery Date'). The Consent Security Deposit

required under subparagraphs (1) and (2) of this paragraph (a) shall be subject to the following subparagraphs (i) and (ii) as well as to subparagraph (4) below:

(i) Upon the Consent Security Deposit Delivery Date, the Lessee shall deposit with the Port Authority and shall keep deposited throughout the term of this Agreement, the Consent Security Deposit (as defined in subparagraph (3) hereof) in cash, or bonds of the United States of America, or of the Port Authority of New York and New Jersey, having a market value of that amount, as security for the full, faithful and prompt performance of and compliance with, on the part of the Lessee, all of the provisions, terms, covenants and conditions of this Agreement on its part to be fulfilled, kept, performed or observed and as security for the payment of all other rentals, fees, charges and obligations owed or which may become due and owing to the Port Authority arising from the Lessee's operations at the Airport, whether covered by a written agreement or otherwise the "Secured Obligations". Bonds qualifying for deposit hereunder shall be in bearer form but if bonds of that issue were offered only in registered form, then the Lessee may deposit such bond or bonds in registered form, provided, however, that the Port Authority shall be under no obligation to accept such deposit of a bond in registered form unless such bond has been reregistered in the name of the Port Authority (the expense of such re-registration to be borne by the Lessee) in a manner satisfactory to the Port Authority. The Lessee may request the Port Authority to accept a registered bond in the Lessee's name and if acceptable to the Port Authority the Lessee shall deposit such bond together with a bond power (and such other instruments or other documents as the Port Authority may require) in form and substance satisfactory to the Port Authority. In the event the Consent Security Deposit is returned to the Lessee, any expenses incurred by the Port Authority in re-registering a bond to the name of the Lessee shall be borne by the Lessee. In addition to any and all other remedies available to it, the Port Authority shall have the right, at its option, at any time and from time to time, with or without notice to use the said Consent Security Deposit or any part thereof in whole or partial satisfaction of any of its claims or demands against the Lessee. There shall be no obligation on the Port Authority to exercise such right and neither the existence of such right nor the holding of the Consent Security Deposit itself shall cure any default or breach of the Agreement on the part of the Lessee. In the event that the Port Authority shall at any time or times so use the Consent Security Deposit, or any part thereof, or if bonds shall have been deposited and the market value thereof shall have declined below the required amount of the Consent Security Deposit as specified in subparagraph (3) below, the Lessee shall, on demand of the Port Authority and within two (2) days thereafter, deposit with the Port Authority additional cash or bonds so as to maintain the Consent Security Deposit at all times to the full amount above stated, and such additional deposits shall be subject to all the conditions of paragraph (a)(2) of this Section 19. After the later to occur of (x) expiration or earlier termination of this Agreement or any extension thereof and (y) the cessation of activity of the Lessee at the Airport and upon condition that the Lessee shall then be in no wise in default under any part of this Agreement, as this Agreement may have been amended or extended, or other obligations to the Port Authority, arising from the Lessee's operations at the Airport and upon written request therefor by the Lessee, the Port Authority will return the said Consent Security Deposit to the Lessee less the amount of any and all unpaid claims and demands (including estimated damages) of the Port Authority by reason of any default or breach by the Lessee of this Agreement or any part thereof, or any other obligation of the Lessee to the Port Authority arising from the Lessee's operations at the Airport and less any other fees, charges and obligations owed to the Port Authority arising from the Lessee's

operations at the Airport. The Lessee agrees that it will not assign or encumber the said Consent Security Deposit and any such assignment or encumbrances shall be void as to the Port Authority. The Lessee may collect or receive annually any interest or income earned on bonds and interest paid on cash deposited in interest bearing bank accounts less any part thereof or amount which the Port Authority is or may hereafter be entitled or authorized by law to retain or to charge in connection therewith, whether as or in lieu of administrative expense or custodial charge, or otherwise, provided, however, that the Port Authority shall not be obligated by this provision to place or to keep cash deposited hereunder in interest bearing bank accounts. Without limiting the foregoing provisions of this Section, with respect to any bonds deposited by the Lessee, the Port Authority shall have the right, in order to satisfy any of its claims or demands against the Lessee, to sell the same in whole or in part, at any time and from time to time, with or without prior notice, at public or private sale, all as determined by the Port Authority together with the right to purchase the same at such sale free of any claims, equities or rights of redemption of the Lessee. The Lessee hereby waives all right to participate therein and all right to prior notice or demand of the amount or amounts of the Port Authority's claims or demands against the Lessee. The proceeds of any such sale shall be applied by the Port Authority first to the costs and expenses of the sale (including but not limited to any advertising or commission expenses) and then to the amounts due the Port Authority from the Lessee with respect to the Secured Obligations. Any balance remaining shall be retained in cash toward bringing the Consent Security Deposit to the sum specified in subparagraph (3) hereof provided that this shall not relieve the Lessee from maintaining the Consent Security Deposit in the full amount stated in subparagraph (3) hereof.

(ii) In lieu of the cash or bonds Consent Security Deposit described in paragraph (a)(2)(i) of this Section 19, the Lessee may, at its option cause to be delivered to the Port Authority on the Consent Security Deposit Delivery Date as security for the Secured Obligations, whether covered by a written agreement or otherwise, a clean irrevocable letter of credit issued to and in favor of the Port Authority, by a banking institution having an office within the Port of New York District and acceptable to the Port Authority, payable in the Port of New York District, in the amount of the Consent Security Deposit. The form and terms of such letter of credit, as well as the institution issuing it, shall be subject to the prior and continuing approval of the Port Authority. Such letter of credit shall provide that it shall continue during the term of this Agreement and for a period of not less than six (6) months thereafter; such continuance may be by provision for automatic renewal or by substitution of a subsequent satisfactory clean irrevocable letter of credit. If requested by the Port Authority, said letter of credit shall be accompanied by a letter expressing the opinion of counsel for the banking institution that the issuance of said clean, irrevocable letter of credit is an appropriate and valid exercise by the banking institution of the corporate power conferred upon it by law. Upon notice of cancellation of a letter of credit the Lessee agrees that unless, by a date twenty (20) days prior to the effective date of cancellation, the letter of credit is replaced by security in accordance with subparagraph (i) above or another letter of credit satisfactory to the Port Authority, the Port Authority may draw down the full amount thereof without statement of default and thereafter the Port Authority will hold the same as Consent Security Deposit under paragraph (a)(2)(i) of this Section 19. Failure to provide such a letter of credit, if required as the Consent Security Deposit, at any time during the term of this Agreement, valid and available to the Port Authority, including any failure of any banking institution issuing any such letter of credit previously

accepted by the Port Authority to make one or more payments as may be provided in such letter of credit shall be deemed to be a breach of this Agreement on the part of the Lessee. Upon acceptance of such letter of credit by the Port Authority, and upon request by the Lessee made thereafter, the Port Authority will return the Consent Security Deposit, if any, theretofore made under and in accordance with the provisions of paragraph (a)(2)(i) of this Section 19. The Lessee shall have the same rights to receive such Consent Security Deposit during the existence of a valid letter of credit as it would have to receive such sum upon expiration of the letting under this Agreement and fulfillment of the obligations of the Lessee hereunder and thereunder. If the Port Authority shall make any drawing under a letter of credit held by the Port Authority hereunder, the Lessee on demand of the Port Authority and within two (2) days thereafter, shall bring the letter of credit back up to its full amount. No action by the Port Authority pursuant to the terms of any letter of credit, or receipt by the Port Authority of funds from any bank issuing any such letter of credit, shall be or be deemed to be a waiver of any default by the Lessee under the terms of this Agreement and all remedies of this Agreement and of the Port Authority consequent upon such default shall not be affected by the existence of a recourse to any such letter of credit.

(iii) For purposes of the foregoing, the Lessee hereby certifies that its I.R.S. Employee Identification No. is Ex. 1 ; and in the event of a change in said I.R.S. Employee Identification No. resulting from a merger the Lessee shall immediately certify its new I.R.S. Employee Identification No. in writing to the Port Authority.

(3) For purposes of this paragraph (a) the term 'Consent Security Deposit' shall mean an aggregate amount equal to (x) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever) payable to the Port Authority by the Lessee arising out of or in connection with or due from its activities, operations, leases, permits or other agreements at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (x) being limited however to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period with said sum to be determined by the Port Authority; plus (y) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever), if any, payable to the Port Authority by the entity with which the Lessee merges or consolidates or to which the Lease is assigned arising out of or in connection with or due to its activities, operations, leases, permits or other agreements, if any, at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (y) being limited however to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period, with said sum to be determined by the Port Authority. In the event the Consent Security Deposit is delivered pursuant to subparagraph (1) above, the terms, provisions and conditions governing the use of said Consent Security Deposit shall be set forth in the assumption instrument referred to therein.

(4) In the event that a Consent Security Deposit is required to be posted under this Lease and at any time thereafter the entity which is then the Lessee does satisfy either of the Financial Tests and provides to the Port Authority satisfactory evidence thereof, the Port Authority promptly shall refund the Consent Security Deposit to the Lessee, less any amounts then due and unpaid by the Lessee under the Lease beyond the due date thereof."

6. The definition of "Lease AYB-085 Premises" set forth in Section 91 of the Lease is hereby amended as follows: the word "cross hatching" on the first line of said definition shall be deemed amended to read "stipple diagonal hatching".

7. Each party represents and warrants to the other that no broker has been concerned in the negotiation of this First Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. Each party shall indemnify and save harmless the other party of and from any and all claims for commissions or brokerage made by any and all Persons, firms or corporations whatsoever for services provided to or on behalf of the indemnifying party in connection with the negotiation and execution of this First Supplemental Agreement.

8. No Commissioner, director, officer, agent or employee of any party to this First Supplemental Agreement shall be charged personally or held contractually liable by or to any other party under any term or provision of this First Supplemental Agreement or of any supplement, modification or amendment to the Lease or because of its or their execution or attempted execution or because of any breach or alleged or attempted breach thereof.

9. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.

10. This First Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee and the Port Authority agree that no representations or warranties shall be binding upon the other unless expressed in writing in the Lease or in this First Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

Assistant Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

Francis DiMola

(Title) Assistant Director - Aviation

(Corporate Seal)

ATTEST:

Secretary

AMERICAN AIRLINES, INC.

By _____

(Title) President

(Corporate Seal)

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By_____

(Title)_____

(Corporate Seal)

ATTEST:

AMERICAN AIRLINES, INC.

Secretary

By Beverly Gower
Vice President

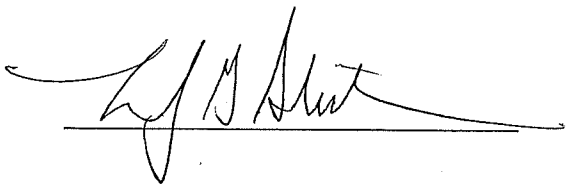
(Corporate Seal)

ACKNOWLEDGEMENT

FOR THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

STATE OF NEW YORK)
)ss.
COUNTY OF NEW YORK)

On the 29th day of July in the year 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Francis DiMola, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

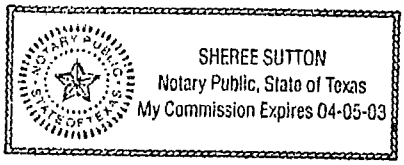


TIMOTHY G. STICKELMAN
Notary Public, State of New York
No. 01ST4817298
Qualified in Suffolk County
Commission Expires March 30, 2003

FOR AMERICAN AIRLINES, INC.

STATE OF TEXAS)
)ss.
COUNTY OF TARRANT)

On the 29th day of July in the year 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Beverly K. Goulet, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



(notarial seal and stamp)

EXHIBITS
3.1
3.2

refer to items

#4 - Agreement Towards Entering into a Lease
and
#5 - Recognition, Non-Disturbance and Attornment Agreement

of the records of proceedings

AGREEMENT TOWARDS ENTERING INTO A LEASE

Agreement Towards Entering into a Lease (this "Agreement") made as of July 31, 2002 by and between THE CITY OF NEW YORK, a municipal corporation of the State of New York, acting by and through its Department of Business Services, having its offices at 110 William Street, New York, New York 10038 (the "City"), and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware, having an address at MD 5317, 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 ("American").

W I T N E S S E T H:

WHEREAS, the City has leased the John F. Kennedy International Airport, located in Queens, New York (the "Airport" or "JFK") to The Port Authority of New York and New Jersey (the "Port Authority") pursuant to that certain Agreement with respect to Municipal Air Terminals, dated April 17, 1947, and thereafter amended and supplemented from time to time (said Agreement, as so amended and supplemented, the "Port Authority Lease");

WHEREAS, the Port Authority Lease, by its present terms, expires on December 31, 2015;

WHEREAS, American is the lessee and operator of the air passenger terminal facility located on that certain site more fully described in Section 1 of the American Lease (as hereinafter defined) at JFK, and more fully described below;

WHEREAS, American is engaged in the development, construction and operation of air passenger terminal facilities and wishes to substantially redevelop, renovate, expand and improve the existing air passenger terminal on the American Site (as hereinafter defined) and to construct certain additional improvements on the American Site and the Airport, all of which are

more fully described in the American Lease (said redevelopment, renovation, expansion, improvement, construction and operation, being the "Project");

WHEREAS, in furtherance of the foregoing, (a) American has entered into a certain agreement of lease with the Port Authority dated as of August 1, 1976, bearing Port Authority Lease No. AYB-085 (the "Lease AYB-085"), pursuant to which a certain portion of the American Site was demised to American (the "Lease AYB-085 Premises"), as more particularly described in Lease AYB-085 and shown on Exhibit 1.1 of the Amended and Restated Lease AYB-085R (as hereinafter defined); and (b) American has entered into a certain Amended and Restated Agreement of Lease with the Port Authority dated as of December 22, 2000, bearing Port Authority Lease No. AYB-085R (the "Amended and Restated Lease AYB-085R"), pursuant to which (i) the Port Authority continued to let the Lease AYB-085 Premises to American, less certain portions of the Lease AYB-085 Premises more particularly shown in crosshatching on Exhibit 1.1 to the Amended and Restated Lease AYB-085R (the "Surrendered Premises"), and (ii) the Port Authority demised to American certain additional land at the Airport more particularly shown in stippled-diagonal hatching on said Exhibit 1.1 (the "Additional Premises"), together with, inter alia, all improvements, buildings and structures which were erected thereon by American under Lease AYB-085 and certain Former Agreements (as defined in the Amended and Restated Lease AYB-085R) (the Lease AYB-085, as amended, supplemented and restated by the Amended and Restated Lease AYB-085R, and as further amended and supplemented by a certain First Supplemental Agreement between the Port Authority and American dated as of July 31, 2002 being the "American Lease"; and the Lease AYB-085 Premises (less the Surrendered Premises) and the Additional Premises constituting and being, the "American Site"), such American Site being more particularly shown on the two maps

which are each entitled, "Terminals 8 and 9 Lease Line Modification (American Airline)", each dated September 27, 1999, and each prepared by the Aviation Department and Project Management and Technical Services Division of the Port Authority (copies of which maps are attached hereto, collectively, as Schedule A);

WHEREAS, in furtherance of the Project, American has leased certain improvements on the American Site to the IDA (as hereinafter defined) pursuant to and as more fully provided in a Company Sublease Agreement between the IDA and American of even date herewith;

WHEREAS, the American Lease expires (the "Expiration Date") by its terms on December 30, 2015, but is subject to, provided there is an Airport Lease Extension Agreement (as defined in the American Lease), extension to a date which is the first to occur of (i) the day immediately prior to the date of expiration of the Applicable Airport Lease Extension Agreement (as defined in the American Lease) and (ii) December 21, 2036 and (iii) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date (as defined in the American Lease);

WHEREAS, the American Lease is subject to earlier termination in the event that, inter alia, the Port Authority Lease is terminated prior to its stated expiration date;

WHEREAS, American is financing the development and construction of the Project in part through the issuance by the New York City Industrial Development Agency (the "IDA") of its Special Facility Revenue Bonds in a series of yet undetermined tranches, which tranches in an aggregate principal amount shall not exceed two billion three hundred million dollars ($2,300,000,000) and the last stated maturity date of any such tranche shall not be after December 1, 2036 (said IDA Special Facility Revenue Bonds being hereinafter collectively

referred to as the "Bonds"). All of the Bonds are being issued under and secured by a Master Indenture of Trust (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA and The Bank of New York, as Trustee (the "Trustee") (the "Indenture"), and the repayment of which is provided for by, inter alia, an IDA Lease Agreement (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA, as lessor, and American, as lessee (the "IDA Lease Agreement");

WHEREAS, to facilitate the financing of the Project, American has requested that the City enter into this Agreement pursuant to which the City agrees, under the circumstances and on the terms described in this Agreement, to act in good faith to negotiate a lease with American to provide to American the right to possession and occupancy of the American Site as of January 1, 2016 (or the day first following the day after such later date to which the City and the Port Authority have extended the term of the Port Authority Lease), but in no event beyond the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date and (ii) December 21, 2036 (such earlier date being referred to herein as the "Maximum American Lease Expiration Date");

WHEREAS, the City submitted an application under the City's Uniform Land Use Review Procedure ("ULURP") seeking authorization for the disposition of the American Site for airport terminals and uses ancillary thereto, which ULURP application was certified by the Department of City Planning on December 6, 1999 and given number C-000187PPQ, was unanimously approved by the New York City Planning Commission on May 3, 2000 and was not "called up" by the City Council within the applicable time period and is therefore deemed approved by the City Council.

NOW, THEREFORE, the parties hereby agree as follows:

1. Agreement to Act in Good Faith to Enter into Lease.

a. On or before October 31, 2013 (said date, as it may be extended pursuant to the provisions of this Subsection 1(a), being referred to herein as the "Draft Delivery Date"), and provided that all of the Conditions Precedent (as hereinafter defined) have been met (it being understood that the City, may at its option and in its sole and absolute discretion, waive the satisfaction of one or more Conditions Precedent), the City shall deliver or cause to be delivered to American a draft, without prejudice, of a new lease or sublease for the American Site (the "Proposed New American Lease"), which Proposed New American Lease shall contain the terms and conditions set forth on Exhibit A hereto (the "Basic Terms"), as well as, at the option of the City, and/or its Designee (as hereinafter defined), more particular terms and conditions with respect to such Basic Terms, as well as additional terms and conditions, in either case, as the City, or its Designee, as the case may be, deems appropriate in good faith. Upon delivery of the Proposed New American Lease, American shall promptly advise the City and/or its Designee, if any, of any objections American has in good faith to the Proposed New American Lease. American shall act in good faith, and, if all Conditions Precedent have been satisfied except such as may be waived in the City's sole and absolute discretion, the City and/or its Designee, as the case may be, shall act in good faith, to (x) negotiate and (y) execute and deliver on or before December 31, 2014 (said date, as it may be extended pursuant to the provisions of this Subsection 1(a) being referred to herein as the "Proposed Lease Execution Date"), a lease or sublease for the American Site in recordable form containing the Basic Terms and such more particular and additional terms as the parties determine to be appropriate (said proposed lease, as negotiated, executed and delivered by American and the City and/or its Designee, being referred to herein as the "New American Lease"). It is understood and agreed

that during the negotiation period of the Proposed New American Lease, no term or condition thereof shall operate to bar or estop American, the City and/or its Designee, as the case may be, from seeking, in good faith, different or additional terms or conditions (other than the Basic Terms). In the event the City and the Port Authority (each, directly or through one or more entities or affiliates) enter into an extension or renewal of the Port Authority Lease, or new lease of the Airport, including the American Site, whereby the term of the letting of the Airport (including the American Site) to the Port Authority continues without interruption and is extended to a date subsequent to December 31, 2015, the Draft Delivery Date and the Proposed Lease Execution Date shall be extended to dates which are 26 months and 12 months, respectively, before the stated expiration date of such extended, renewed or new lease (such extended, renewed or new lease being referred to herein as the "Extended Port Authority Lease"), provided, however, that in no event shall the City be obligated to deliver or cause to be delivered a Proposed New American Lease on or at any time after the date which is 26 months prior to the Maximum American Lease Expiration Date, nor shall the parties be required to negotiate, execute or deliver a New American Lease after the date which is 12 months prior to the Maximum American Lease Expiration Date. In all events, the term of the New American Lease shall commence and expire on the dates described in Exhibit A hereto. Nothing in this Agreement shall in any way be construed to convey hereby a leasehold estate to American or other right of use or occupancy of the American Site by American, which may be conveyed solely pursuant to the mutual execution and delivery of the New American Lease. In the event that agreement on the terms of the New American Lease is unable to be reached and/or the New American Lease is not executed and delivered in recordable form by the Proposed Lease Execution Date (the "Failure to Enter into a New American Lease Termination Event"), this

Agreement shall terminate at the City's option as provided in Section 5(c)(i) herein. As used herein, the City's "Designee" shall mean the City's designee, of which the City shall give American written notice.

b. "Conditions Precedent" shall mean each of the following:

(i) no Extended Port Authority Lease shall have been entered into, the stated expiration date of which is on or after the Maximum American Lease Expiration Date, or if an Extended Port Authority Lease shall have been entered into with a shorter stated expiration date, the American Lease shall have been extended to a date which is one day before such shorter stated expiration date of the Extended Port Authority Lease;

(ii) the City shall not have transferred fee title and ownership of the Airport, including the American Site, to the Port Authority, or any affiliate thereof, directly or indirectly, through one or more entities;

(iii) all applicable governmental approvals for the New American Lease shall have been granted;

(iv) the American Lease shall not have terminated prior to the Expiration Date and American is in possession of the American Site as tenant thereunder (provided that for purposes of this subparagraph (iv), (A) the American Lease shall be deemed not to have been terminated solely because of a termination of the Port Authority Lease if the Fee Owner (as defined in the "RNDA", said term being hereinafter defined) has recognized American as its direct tenant, and (B) American has attorned to the Fee Owner as its direct landlord under the American Lease pursuant to the RNDA;

(v) no default or event which would permit termination of the American Lease or the exercise by the landlord of any dispossess remedy at law or equity (or,

but for cure or other rights of the IDA Mortgagee (as hereinafter defined) would permit such termination or dispossession) or the commencement of the exercise of any Reletting Rights (as defined in the American Lease) on notice or otherwise and no event of default and no Triggering Event (as defined in the American Lease) (hereinafter, each individually referred to as an "American Lease Event of Default" and collectively as "American Lease Events of Default") shall have occurred which has not been remedied (provided that no waiver of the underlying circumstances thereof without City consent shall be effective);

(vi) there shall not be outstanding any material default under the American Lease, or any event which, upon the giving of notice and/or the passage of time would ripen into an American Lease Event of Default, nor shall American have committed or permitted any act or omission which would have constituted a material default under the American Lease or an American Lease Event of Default had the Port Authority not waived (whether by express waiver or by failure to give notice) such default, event or the underlying circumstances thereof without the City's written consent, which waiver may reasonably have a material adverse effect on the City, the American Site or JFK at any time during the term of the New American Lease;

(vii) no "Event of Default" (herein an "IDA Financing Event of Default") shall have occurred under the Indenture, the IDA Lease Agreement, or any other documents or instruments securing and/or evidencing any of the Bonds (the "IDA Bond Documents") which has or could have resulted in an acceleration of any of the Bonds and which has not been remedied (other than "Events of Default" under any of said IDA Bond Documents caused solely by a wrongful failure of the IDA to perform any covenant, condition or agreement in the Indenture);

(viii) the execution and delivery of the New American Lease, and the performance by American of its obligations thereunder, would not constitute a breach of any covenant, representation or condition of the American Lease;

(ix) the Project shall have been completed, all of the Required Conditions, as defined in the American Lease, shall have been met and American shall have invested, or have caused to have been invested, at least (A) (Ex. 2.a.)

by not later than December 21, 2003, and (B) (Ex. 2.a.)

by not later than December 31, 2008 (through Bond proceeds or equity) in the Project on the American Site, subject to Force Majeure (hereinafter defined) delays (such Force Majeure delays not to exceed, in the aggregate, four years). As used herein, "investment" or "invested" shall include, without limitation, all payments to independent contractors for work performed and labor and materials furnished, including applicable sales and use taxes, and soft costs directly associated with construction, including, but not limited to, engineering, architectural and other professional and consulting services, and the supervision of construction in connection therewith, but shall not include soft costs not directly associated with construction, including, without limitation, underwriter's discount and fees, legal fees (except those directly related to construction), IDA's fees, IDA debt service and IDA debt service reserves. "Force Majeure" means delays in construction caused by circumstances beyond the control of American or its affiliates (including, but not limited to, environmental remediation of site conditions predating the date as of which American had possession and control of any portion of the American Site and litigation not resulting from the fault of American or its affiliates) of which American gives the City notice within thirty (30) days after the occurrence of such Force

Majeure event; Force Majeure does not include the financial condition or financial circumstances of American or any other person, firm or entity;

(x) if the improvements of the American Site shall have suffered major damage or destruction, such improvements shall have been restored, or American shall be proceeding with restoration with all due diligence to the reasonable satisfaction of the City provided that, completion of the restoration at American's expense and to the reasonable satisfaction of the City, shall be a requirement and covenant of American in the New American Lease, breach of which, with applicable default cure periods, shall be a ground for the termination of the New American Lease by the landlord thereof;

(xi) no representation or warranty under this Agreement shall have been false or incomplete in any material respect when made, nor shall there have occurred any "Event of Default" (as hereinafter defined) under this Agreement, nor shall there be existing any uncured default under this Agreement for which American has received written notice from the City and the cure for which is pending during the applicable cure period (provided, that if such default is cured prior to the expiration of the applicable cure period, then this condition set forth in this subparagraph (xi) shall be deemed satisfied with respect to such prior default); and

(xii) no "Change in Control" shall have occurred since the date hereof without the City's prior written consent. As used herein, the term "Change in Control" shall have the meaning ascribed to it in the American Lease, except that wherever "20%" is used in such definition in the American Lease, it shall be deemed to be "10%" for purposes hereof.

2. Basic Terms and American Lease. American represents and warrants to the City that the Basic Terms are not more favorable to American than those provisions of the American Lease respecting similar substantive matters. No amendment of or supplement to or

waiver of any terms of the American Lease by any party thereto or otherwise shall affect the terms of this Agreement without the consent of the City in its sole and absolute discretion. Without limiting the foregoing, at the City's option, any amendment, supplement or waiver of the American Lease, or any terms thereof, which affects or impacts the provisions of the American Lease governing the substantive areas covered by the Basic Terms, may be incorporated into the New American Lease.

3. Ownership of American.

(a) American represents and warrants to the City that (i) American is a corporation organized and validly existing under the laws of the State of Delaware and is in good standing and authorized to do business in the State of New York, and (ii) the information submitted to IDA in connection with VENDEX (which, in American's case was limited to certain Securities Exchange Act of 1934 filings) without limitation, with respect to ownership of American, was true and complete as of the date submitted, and to the extent of any material changes or updated information as to which American and/or its parent corporation would be required to make filings or submissions under the Securities Exchange Act of 1934, American has made additional submissions to IDA so that as of the date hereof, IDA has complete and accurate copies of all filings and disclosures required to be made by American and/or its parent corporation under the Securities Exchange Act of 1934.

(b) From time to time during the term of this Agreement and/or prior, and as a condition, to the execution of the New American Lease by the City, the City may require background investigations (or updates of background investigations) of American, or any Principal or Officer of American or any of its partners or their respective Principals, or any person or entity whose relationship to American is such that a background investigation of such

person or entity would be customary under the City's policies (collectively, the "Material Persons"). "Principal" and "Officer" are defined in Exhibit D attached hereto.

4. Possession; Obligation to Pay Rental; Independent Covenants.

(a) The City shall have no liability for damages or restitution to American or any person or entity succeeding to the interests of American under the New American Lease if the City is unable to deliver possession of the American Site, or is unable to perform its obligations under the New American Lease, because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues to use or occupy the American Site or any portion thereof after the stated expiration of the Port Authority Lease or otherwise continues to use or possess or refuses to surrender or vacate the Airport or any portion thereof, including without limitation the American Site, after the stated expiration of the Port Authority Lease. The foregoing does not constitute the City's agreement that the Port Authority has permission to use or occupy the American Site or any portion thereof after the stated expiration of the Port Authority Lease or otherwise continue to use, or occupy or possess the Airport or any portion thereof, including, without limitation, the American Site, after the stated expiration of the Port Authority Lease.

(b) American shall be obligated to pay all rental and impositions under the New American Lease, notwithstanding any failure by the City to give possession of the American Site to American or to perform its obligations under the New American Lease, and the obligations of American to pay any and all such rental to the City and all such impositions under the New American Lease shall be independent of and not conditional upon the City's delivery of possession of the American Site to American or the City's performance of its obligations under the New American Lease, if the City is unable to deliver such possession or perform such

obligations because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues to use, occupy or possess the American Site or any portion thereof after the stated expiration or earlier termination of the Port Authority Lease or otherwise continues to use, possess or occupy or refuses to surrender or vacate the Airport or any portion thereof, including without limitation the American Site, after the stated expiration or earlier termination of the Port Authority Lease.

(c) The New American Lease shall contain covenants, terms and conditions to the effect set forth in subparagraphs 4(a) and (b) as the City may require in order to effectuate the intent of such provisions.

(d) Upon request of American, the City will enter into a recognition, nondisturbance and attornment agreement (the "RNDA") with American, substantially in the form attached hereto as Exhibit E, pursuant to which, subject to the terms of the RNDA, the Fee Owner will recognize American as its direct tenant, and American will attorn to the Fee Owner, as the direct landlord of American, under the American Lease, in the event that the Port Authority Lease is terminated prior to its stated expiration, all as more fully set forth in the RNDA.

5. Events of Default; Remedies; Certain Terminations.

(a) The following constitute events of default (collectively, "Events of Default", and each, an "Event of Default") under this Agreement:

(i) if American shall fail to observe or perform one or more of the terms, conditions, covenants or agreements of this Agreement or the RNDA, as the same may be supplemented, and such failure shall continue for a period of thirty (30) days after receipt of written notice from the City of such failure, or if such failure shall not be capable of being

remedied within such thirty (30) day period, if American shall not be proceeding with all diligence to cure such failure; or

(ii) if any material representation or warranty made by American herein is incomplete or incorrect in any material respect as of the time made or, with respect to continuing representations or warranties as of the time to which it speaks; or

(iii) to the extent permitted by law, if American shall make an assignment for the benefit of creditors; or

(iv) to the extent permitted by law, if American shall file a voluntary petition under Title 11 of the United States Code, or if such petition shall be filed against American and an order for relief therein shall be entered, or if American shall file a petition or an answer seeking, consenting to, or acquiescing in, any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other bankruptcy or insolvency statute or law, or shall seek, or consent to, or acquiesce in, or suffer the appointment of, any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of American, or of all or any substantial part of its properties, or of the American Site or any interest of American therein, or if American shall take any membership, partnership or corporate action in furtherance of any action described in Sections 5(a)(iii), (a)(iv), (a)(v) or (a)(viii) of this Agreement; or

(v) to the extent permitted by law, if within sixty (60) days after the commencement of a proceeding against American seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal,

state or other bankruptcy or insolvency statute or law, such proceeding shall not be dismissed, or if, within one hundred twenty (120) days after the appointment, without the consent or acquiescence of American, of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of American, or of all or any substantial part of its properties, or of the American Site or any interest of American therein, such appointment shall not be vacated or stayed on appeal or otherwise, or if, within one hundred twenty (120) days after the expiration of any such stay, such appointment shall not be vacated; or

(vi) if (A) the American Lease has been terminated prior to the Expiration Date, provided, however, that the American Lease shall be deemed not to have been terminated solely because of a termination of the Port Authority Lease if pursuant to the RNDA, American has been recognized by the Fee Owner as its direct tenant and American has attorned to such Fee Owner as its direct landlord pursuant to the RNDA, or (B) an American Lease Event of Default shall have occurred which has not been remedied (provided that no waiver of the underlying circumstances thereof without the City's consent shall be effective), or (C) there shall be outstanding any material default under the American Lease, or any other event, which upon the giving of notice and/or the passage of time could ripen into an American Lease Event of Default (provided, however, that American shall have the right to cure such default or event under any applicable cure period, provided that no such cure period shall extend beyond the Draft Delivery Date), or (D) American shall have committed or permitted any act or omission which would constitute a material default under the American Lease or an American Lease Event of Default had the Port Authority not waived (whether by express waiver or by failure to provide notice) same or the underlying circumstances thereof without the City's consent, which waiver may reasonably have a material adverse effect on the City, the American Site or JFK at any time

during the term of the New American Lease and which default or event is not, after notice from the City, remedied within the applicable time period permitted to cure such default or event under the American Lease, provided, however, that no such cure period shall extend beyond the Draft Delivery Date; or

(vii) if an IDA Financing Event of Default shall have occurred and not been cured, remedied or waived; or

(viii) to the extent permitted by law, if American shall admit, in writing, that it is unable to pay its debts as such debts become due; or

(ix) (A) if a levy under execution or attachment shall be made against the American Site or any part thereof, the income directly attributable thereto, this Agreement or the rights created hereby and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of one hundred twenty (120) days from American's receipt of notice thereof; or (B) if a levy under execution or attachment in an amount equal to or greater than , shall be made against American or any of its properties (other than the American Site or any part thereof, the income therefrom or the rights created hereby) and such execution or attachment shall not be vacated, discharged, dismissed or removed by court order, bonding or otherwise within a period of one hundred twenty (120) days from American's receipt of notice thereof; or

(x) (A) any of the Material Persons fails to submit to or cooperate with any investigation or update as required pursuant to Section 3(b) of this Agreement, or (B) the City determines pursuant to any such investigation or update that any of the Material Persons is a Prohibited Person pursuant to Exhibit B hereto, or (C) any ten (10%) percent or greater shareholder of American is an, or is wholly or substantially owned directly or

indirectly by one or more, airline companies that are not permitted to operate as such in the United States. As used herein, the terms "Principal", "Officer" and "Prohibited Person" shall have the meanings ascribed to them in Exhibit D attached hereto; or

(xi) if American shall fail to have invested or shall fail to have caused to have been invested, at least (A) (Ex. 2.a.)

by not later than December 21, 2003; and (B) (Ex. 2.a.)

by not later than December 31, 2008 (through Bond proceeds or equity) in the Project on the American Site, subject to Force Majeure delays (such Force Majeure delays not to exceed, in the aggregate, four years). As used herein, "invested" and "Force Majeure" shall have the meanings ascribed to them in Section 1(b)(ix) hereof; or

(xii) if American shall fail to complete the construction of the Project within the time provided for pursuant to the American Lease.

(b) If an Event of Default occurs, the City, in addition to any other remedy available to it, may elect to proceed by appropriate judicial proceedings, either at law or in equity, to enforce performance or observance by American of the applicable provisions of this Agreement for breach thereof.

(c) (i) If (A) subject to the rights of the IDA Mortgagee pursuant to Section 6 hereof with respect to an Event of Default occurring and continuing during the Mortgagee Rights Period, an Event of Default shall have occurred, or (B) a Nonapproved Successor Lessee Event (as hereinafter defined) shall have occurred, or (C) the City and American shall have entered into a New American Lease, or (D) a Failure to Enter into a New Lease Termination Event shall have occurred, then the City may, at its option, terminate this Agreement upon written notice to American to such effect, and this Agreement shall expire and

terminate upon delivery of such notice to American. A "Nonapproved Successor Lessee Event" is hereby defined as an event pursuant to which, without the prior written consent of the City (such consent, during the Mortgagee Rights Period (as hereinafter defined), not to be arbitrarily or capriciously withheld) any person, firm or entity becomes or has the right to become an Approved Successor Lessee (as defined in the American Lease) or otherwise has the right to become the owner of or acquire any interest in all or any portion of American's interest in the American Lease or the leasehold estate created thereby pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the mortgagee of any reletting or surrender rights or otherwise or as the result of the purchase of a mortgage.

(ii) If (A) an Extended Port Authority Lease shall have been entered into, the stated expiration date of which is on or after the Maximum American Lease Expiration Date or (B) the City has transferred fee title and ownership of the Airport, including the American Site, to the Port Authority, or any affiliate thereof, directly or indirectly, through one or more entities or (C) by the Proposed Lease Execution Date, the New American Lease shall not have been fully executed and delivered as provided in this Agreement or (D) the Port Authority has exercised its rights to terminate the Leasehold Mortgage by tendering payment to the Leasehold Mortgagee (as defined in the American Lease) of the total amount (including principal and interest to the date of payment) of the Bonds then outstanding, then this Agreement shall automatically expire and terminate without further notice.

(iii) Upon any expiration or termination of this Agreement (whether on account of any reason permitted or enumerated by this Agreement or by operation of law or equity), all rights of American, of any IDA Mortgagee, and of any person, firm or entity

claiming by, through or under American or any IDA Mortgagee (including, without limitation, any City Approved Successor Lessee, as hereinafter defined), and all obligations of and restrictions on the City hereunder or by reason hereof, shall terminate, except such as shall survive by their express terms, and the City shall have the right to dispose, convey, lease, assign or transfer the American Site or enter into any agreement to do so without any restriction or limitation on or liability to the City whatsoever (subject to the provisions of the New American Lease if this Agreement was terminated pursuant to clause (i)(C) of this Section 5(c) and subject to the provision of Section 6(g), if applicable upon a termination of this Agreement pursuant to clause (i) of this Section 5(c)).

(d) Each right and remedy of the City provided for in this Agreement shall be cumulative and shall be in addition to every other right or remedy provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the City of any one or more of the rights or remedies provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the City of any or all other rights or remedies provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise.

(e) The parties expressly acknowledge that the City is under no obligation to extend or renew the Port Authority Lease beyond its expiration date of December 31, 2015.

6. IDA Mortgagee Rights.

(a) Definitions.

(i) "IDA Mortgage" means a mortgage lien on all of American's interest in the American Lease and the leasehold estate created thereby which is (i) made to secure payment of all or any portion of the Bonds pursuant to the guaranty of payment thereof of American and the guaranty of payment thereof of AMR Corporation, (ii) complies with the provisions of paragraph (j) of this Section 6, and (iii) shall in no event attach to or encumber the leasehold estate or be otherwise effective unless and until the Reletting Rights Effective Date (as defined in the American Lease) has occurred. Further, to constitute an "IDA Mortgage" the lien shall not attach or encumber the leasehold estate or be otherwise effective before said Reletting Rights Effective Date, if any, and shall terminate and shall in no event extend beyond the first to occur of (i) the date of the redemption, cancellation, defeasance, discharge or payment of those Bonds, the repayment, or guarantee of repayment, of which has been secured by said mortgage, (ii) the date of termination, cancellation, extinguishment, ending, discharge or release of the lien or the instrument creating the lien (*e.g.* the Leasehold Mortgage, as defined in the American Lease), (iii) the termination, expiration or ending of the Reletting Rights (as defined in the American Lease or the Leasehold Mortgage), (iv) the date of termination or expiration of the American Lease (unless, with respect to a termination described in this subsection (iv) such termination is solely the result of the termination of the Port Authority Lease, and the Fee Owner, pursuant to the RNDA, has recognized the American Lease and the rights of American thereunder, including its right to mortgage its leasehold pursuant to the IDA Mortgage to secure repayment, or the guarantee of repayment, of the Bonds), and (v) the date of commencement of the New American Lease (such period of time being referred to herein as the "Mortgagee Rights Period").

(ii) "IDA Mortgagee" means the holder of an IDA Mortgage, provided such holder is either The Bank of New York or another trustee (who is not a Prohibited Person) who has been appointed pursuant to and in accordance with the Indenture and to whom the prior IDA Mortgagee has assigned or transferred the IDA Mortgage.

(b) Effectiveness of Section 6; Mortgagee Rights Period; IDA Mortgagee's Rights Not Greater than American's. Notwithstanding anything to the contrary in this Agreement, the provisions of Section 6 of this Agreement and any other provisions of this Agreement intended to be for the benefit of the IDA Mortgagee and/or any City Approved Successor Lessee (i) shall not become effective, and shall not apply, unless and until (A) the Reletting Rights Effective Date has occurred and (B) notice of the occurrence of the Reletting Rights Effective Date has been given to the City by the IDA Mortgagee in the manner set forth in Section 19 hereof, which notice shall set forth the address to which notices and other communications shall be given to the IDA Mortgagee, (ii) shall only be effective and applicable during the Mortgagee Rights Period, and (iii) shall expire and be of no force and effect at the end of the Mortgagee Rights Period; provided, however, that with respect to the provisions of Sections 6(g) and 6(h) hereof, the Mortgagee Rights Period shall not be deemed to have terminated, expired or ended solely by reason of a termination of the Leasehold Mortgage or the Reletting Rights (or the termination, cancellation, extinguishment, ending, discharge or release of the lien created thereby) due solely to the letting of the American Site pursuant to the American Lease to an Approved Successor Lessee, who is also a City Approved Successor Lessee and in possession of the American Site as tenant under the American Lease, whether from a foreclosure of the Leasehold Mortgage, exercise by the Leasehold Mortgagee of its Reletting Rights, an assignment in lieu of foreclosure or otherwise. With the exception of the rights

granted to the IDA Mortgagee pursuant to the provisions of paragraphs (c) through (g) of this Section 6, the execution and delivery of an IDA Mortgage shall not give nor shall be deemed to give the IDA Mortgagee (or any City Approved Successor Lessee, as the case may be) any greater rights against the City than those granted to American hereunder.

(c) Notice to IDA Mortgagee. The City shall give to the IDA Mortgagee, at the address of the IDA Mortgagee provided as above, or in any subsequent notice given by the IDA Mortgagee to the City in such manner, a copy of each notice of default at the same time as it gives notice of default to American, and no such notice of default shall be deemed effective unless and until a copy thereof shall have been so given to the IDA Mortgagee.

(d) No Consensual Termination. The City and American agree that unless expressly waived in writing by the IDA Mortgagee, American shall not be entitled to terminate this Agreement, and the City shall not accept such termination, unless same has been consented to by the IDA Mortgagee except for a termination by reason of the failure of the City, its Designee and/or American to negotiate, execute or deliver the New American Lease as provided for in this Agreement. The foregoing shall not affect or impair the City's rights to terminate this Agreement.

(e) Acceptance of Recognized Mortgagee's Performance. The City shall accept performance by the IDA Mortgagee of any covenant, condition or agreement on American's part to be performed hereunder, except for the obligation to negotiate, execute and deliver the New American Lease, with the same force and effect as though performed by American, provided that such performance by the IDA Mortgagee constitutes performance in full of such covenant, condition or agreement, with no allowances being made for the fact that the IDA Mortgagee may not have possession of the American Site.

(f) Notice of Termination for Certain Events of Default. If, during the Mortgagee Rights Period, this Agreement is terminated solely by reason of an Event of Default (except by reason of a failure of the City, its Designee and/or American to negotiate, execute or deliver the New American Lease as provided for in this Agreement), the City shall give prompt notice thereof to the IDA Mortgagee. Such termination shall not be effective until thirty (30) days after delivery of such notice to the IDA Mortgagee, and, if such Event of Default is capable of cure by the IDA Mortgagee without possession of the American Site and the IDA Mortgagee notifies the City in writing within such thirty (30) day period that it intends to cure such Event of Default or cause such Event of Default to be cured, then this Agreement shall not terminate and the IDA Mortgagee shall have sixty (60) days to cure or cause the cure of such Event of Default from the date it delivers the latter notice to the City. If such Event of Default is not cured within such sixty (60) day period afforded to the IDA Mortgagee, then the City may terminate this Agreement upon written notice to the IDA Mortgagee and American (the "Section 6(f) Termination Notice") and upon such delivery of such notice this Agreement shall terminate.

(g) Request for and Execution of New Agreement. If, within twenty four (24) months after the receipt (as shown on proof of service or return receipt) of the Section 6(f) Termination Notice, the IDA Mortgagee shall request the City to enter into a new Agreement with a City Approved Successor Lessee, (provided that during said period of 24 months the IDA Mortgagee has performed all of American's obligations hereunder and under Section 92 of the American Lease (to the extent not performed by American)) then, within sixty (60) days after the City shall have received such request, the City shall execute and deliver a new Agreement to the City Approved Successor Lessee and the IDA Mortgagee shall cause the City Approved Successor Lessee to do the same. The new Agreement shall contain all of the

covenants, conditions, limitations and agreements contained in this Agreement (including, without limitation, the obligation to enter into a new RNDA) (with such reasonable modification thereof to reflect the fact that the Agreement and RNDA are with a successor lessee as well as the fact that the IDA Mortgagee no longer has any rights), provided, however, that the City shall not be deemed to have represented or covenanted that such new Agreement or new RNDA shall be superior to claims of American, its other creditors or a judicially appointed receiver or trustee for American. In no event shall the City be required to (A) enter into a new Agreement or new RNDA (i) after the date which is ninety (90) days before the Draft Delivery Date or (ii) with any person, firm or entity which does not have possession of the American Site as tenant under the American Lease or (iii) if an event has occurred (other than the event that caused the termination of this Agreement to begin with) which has or would permit (or would have permitted if this Agreement were still in effect) termination of this Agreement or such new Agreement or RNDA or (iv) if the Mortgagee Rights Period has terminated or expired or (v) after a New American Lease has been entered into (even if the letting thereunder is not yet effective), or (B) enter into a new RNDA after the Port Authority Lease has terminated. The provisions of this Section 6(g) shall survive any termination of this Agreement solely pursuant to Section 6(f) hereof which termination occurs during the Mortgagee Rights Period, but only for the duration of the Mortgagee Rights Period.

(h) Conditions Precedent to the City's Execution of New Agreement. The provisions of paragraph (g) of this Section 6 notwithstanding, the City shall not be obligated to enter into a new Agreement with a City Approved Successor Lessee unless the City Approved Successor Lessee (i) except in the case of an Event of Default described in Sections 5(a)(ii) (which is particular to American), 5(a)(iii) through 5(a)(v) and 5(a)(vii) through 5(a)(x) and

5(a)(xii) hereof, shall promptly after receipt from the City of its statement of the default(s) required to be cured, cure all such default(s) (which is capable of being cured by someone other than American) then existing under this Agreement (as though this Agreement had not been terminated), or if such default is not capable of prompt cure, shall diligently prosecute cure of such default, as applicable, and (ii) shall deliver to the City a statement, in writing, acknowledging that the City, by entering into such new Agreement with such City Approved Successor Lessee shall not have or be deemed to have waived any defaults or Events of Default then existing under this Agreement or existing immediately before termination of this Agreement (other than the defaults or Events of Default described in Sections 5(a)(ii) (which are particular to American), 5(a)(iii) through 5(a)(v) and 5(a)(vii) through 5(a)(x) and 5(a)(xii) hereof which the City shall be deemed to have waived as against the City Approved Successor Lessee but as to which the City's recourse shall be against American), notwithstanding that any such defaults or Event of Default existed prior to the execution of such new Agreement and that the breached obligations which gave rise to the defaults or Event of Default are also obligations under such new Agreement. The provisions of this Section 6(h) shall survive any termination of this Agreement solely pursuant to Section 6(f) hereof which termination occurs during the Mortgagee Rights Period, but only for the duration of the Mortgagee Rights Period.

(i) Definition of City Approved Successor Lessee. The term "City Approved Successor Lessee" shall mean an Approved Successor Lessee under and as defined in the American Lease, who is not a Prohibited Person (or other person, firm or entity with whom or which the City will not then generally do business), approval of whom or which has been sought by the IDA Mortgagee at least sixty (60) days prior to the appointment of such Approved Successor Lessee, and written approval of whom or which has been given by the City and

delivered to the IDA Mortgagee (at the address given to the City in the notice seeking approval), it being understood and agreed that the City shall not arbitrarily or capriciously withhold, or unreasonably delay (a period of less than sixty (60) days after receipt of all reasonably relevant information being considered reasonable), its approval. Any City Approved Successor Lessee shall have no greater rights against the City than those granted to American hereunder.

(j) Certain Additional Requirements of an "IDA Mortgage". In order to constitute an "IDA Mortgage," the mortgage by its terms shall not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the City in the American Site or any property located therein or thereon. Additionally, the mortgage document creating the mortgage lien shall include a provision stating that "This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of fee owner of the premises that are the subject of the instrument or any property therein or thereon, and in the event of any inconsistent provision in this instrument, this provision shall prevail."

7. Indictment.

(a) If any grand jury impaneled by any federal or state court files an indictment with such court charging American or any Principal or Officer of American (such indicted Person, the "Indicted Party") with having committed an intentional felony in connection with the Project or any other related matter, then the City shall convene a hearing (the "Hearing") before a panel of three persons consisting of (x) the City's Deputy Mayor for Economic Development and Rebuilding, (y) the President of the New York City Economic Development Corporation, and (z) the Corporation Counsel of the City, or a duly authorized designee of any of then, or such substitute persons as the City's Mayor may designate (the "Hearing Officers"). Such hearing shall be held upon not less than forty-five (45) days' written

notice to the Indicted Party and American for the purpose of determining whether it is in the best interest of the City to require the Indicted Party to assign its interest in this Agreement or in American, as the case may be. At the Hearing, American and the Indicted Party shall have the opportunity to be represented by counsel and to make a presentation to the Hearing Officers orally and in writing. The Hearing Officers shall consider and address in reaching their determination (x) the nexus of the conduct charged in the indictment to this Agreement, (y) the deleterious effect which an assignment of the Indicted Party's interest in this Agreement or in American, as the case may be, would have on the economic interests of the City which this Agreement is intended to promote, and (z) any other relevant matters. The Hearing Officers shall render a decision in writing within twenty (20) days of the last day of the Hearing. If the Hearing Officers decide by a majority vote that it is in the best interest of the City to require an assignment by the Indicted Party, then the City shall notify the Indicted Party and American of the Hearing Officers' decision within five (5) days of the date thereof. The Indicted Party shall assign its interest in this Agreement or in American, as the case may be, within six (6) months of the date of the notice of such decision by the Hearing Officers to an Assignee Reasonably Satisfactory to the City (as hereinafter defined). The Indicted Party may receive the consideration for such assignment in installment payments, provided that such consideration shall be for a sum certain (if paid in money) and that following such assignment the Indicted Party shall have no further interest in the Project or in any profits therefrom.

(b) Any failure of (i) the Indicted Party to assign its interest in this Agreement or in American, as the case may be, or (ii) an Assignee Reasonably Satisfactory to the City, acting as a trustee (as contemplated below), to assign the Indicted Party's interest in this Agreement or in American, as the case may be, following a Conviction (as hereinafter defined)

within the time and in the manner provided hereunder, shall be deemed to be a default by American hereunder. Upon the occurrence of such default, the City and, during the Mortgagee Rights Period, the IDA Mortgagee, shall have all of the rights and remedies provided hereunder in the case of a default by American. As used herein: an "Assignee Reasonably Satisfactory to the City" shall mean any person or entity who is (x) the IDA Mortgagee or (y) neither (i) a Prohibited Person nor (ii) controlled by, controlling, or under common control with an Indicted Party and who is either (A) a person or entity (including an affiliate of the Indicted Party) who is financially capable of performing the Indicted Party's obligations as set forth hereunder or (B) a Person (other than an affiliate of the Indicted Party) who is acting in a fiduciary capacity as an independent trustee for the benefit of the Indicted Party for the purpose of actively managing this Agreement or the Indicted Party's interest in American, as the case may be. The trust agreement between the Indicted Party and the trustee shall provide in substance, inter alia, as follows:

(i) If (x) the Indicted Party is found not guilty of the felony for which it is indicted by a court of competent jurisdiction or (y) the felony charges against such Indicted Party are dismissed, then the trustee shall reassign the Indicted Party's interest in American or in this Agreement, as the case may be, to the Indicted Party.

(ii) If (x) the Indicted Party is found guilty of the felony for which it is indicted by a court of competent jurisdiction and such verdict is affirmed by the court having ultimate jurisdiction to hear an appeal of such conviction or the period of appeal expires or the Indicted Party waives any right to appeal such determination or (y) the Indicted Party pleads guilty to the felony for which it is indicted (either (x) or (y) above, a "Conviction"), then the trustee shall assign this Agreement or the Indicted Party's interest in American, as the case

may be, within six months of the date of the Conviction to an Assignee Reasonably Satisfactory to the City pursuant to the first paragraph of this Section 7(b).

(c) During the pendency of any such trust, the Indicted Party shall exercise no control over the Project, but may make contributions to the Project and receive distributions therefrom.

8. MacBride Principles; Refusal to Testify. The MacBride Principles Rider, and the Refusal to Testify Rider attached hereto as Exhibit C, and Exhibit D, respectively, are hereby incorporated into this Agreement, and form a part of this Agreement as if fully set forth herein.

9. Reports; Studies. From time to time upon request of the City, American shall provide to the City true copies of such reports and information within the control of American or any of its affiliates relating to the lease of the American Site and operations thereat as the City shall reasonably request. To the extent such reports and information contain confidential business data of American which is not available elsewhere, then any release of such data by the City (provided such data is identified in writing by American as "confidential") subject to applicable law (including, without limitation, the provisions of the Freedom of Information Law and subpoenas), shall be subject to a confidentiality agreement to be negotiated between the parties. Notwithstanding anything herein to the contrary, nothing herein shall limit the rights of the Comptroller of the City (the "Comptroller") under applicable law.

10. Disposition of JFK; Continued Operation of JFK.

(a) American agrees that the City (i) may transfer, sell, lease, assign, grant, dispose of or license any interest in, and/or make alternative arrangements for the operation and/or management of, all or any portion of JFK, including, without limitation, that

portion of JFK which includes the American Site, provided, however, that if this Agreement has not terminated such transferee, vendee, lessee, assignee, grantee, licensee, manager or operator shall take its interest subject to this Agreement for the period of this Agreement, and (ii) may assign or delegate to another person or entity succeeding to the rights or interests of the City with respect to the American Site (a "Successor Entity"), without recourse, all or any of the rights and obligations of the City under this Agreement, provided, however, that if this Agreement has not terminated such Successor Entity shall take its interest subject to this Agreement for the period of this Agreement. Nothing contained in this Agreement shall be construed to limit the City's right to effect such transfer, sale, lease, assignment, grant, disposition or license of any interest in and/or alternative arrangement with regard to JFK, and American agrees to recognize the rights assigned and/or to accept performance of the obligations delegated by the City to any such Successor Entity.

(b) American recognizes that the City is under no obligation to continue to operate JFK, or cause JFK to be operated, as an airport.

11. Certain Representations, Warranties, Covenants and Agreements.

(a) American represents, warrants, covenants and agrees that no representations, statements, or warranties have been made by, or on behalf of, the City with respect to the American Site or the transaction contemplated by this Agreement, the status of title to the American Site or the physical condition thereof, and that American agrees to take same, if at all, in "as-is" condition. American hereby waives any claim against the City on account of any defect in title to the American Site or any defect, whether latent or patent, in the physical condition of the American Site. This Section 11(a) shall survive the termination of this Agreement.

(b) American stipulates and agrees that the City has been out of possession and control of the Airport, inclusive of the American Site, and that the Port Authority has been in possession and control of the Airport, since the commencement of the Port Authority Lease, and that such possession and control by the Port Authority will continue until the surrender by the Port Authority of the Airport to the City. Further, American represents, warrants, stipulates and agrees that American has been in possession and control of terminal 8 on the American Site since April 11, 1956 and of terminal 9 on the American Site since December 1, 1989 and that such possession and control will continue throughout the term of the American Lease and throughout the term of the New American Lease. This Section 11(b) shall survive the termination of this Agreement.

(c) American represents and warrants to the City that (w) American is a corporation formed under the laws of the State of Delaware and is in good standing and authorized to do business in the State of New York, and (x) all consents and approvals required to be obtained for (i) the leasing of the American Site, (ii) the entry into and performance of this Agreement and the entry into and performance of the RNDA, and (iii) the Project, including the required approvals (if any) from the Federal Aviation Authority, have been obtained and, further represents, warrants and covenants that as and when additional approvals or consents are required, same will be obtained in a timely fashion, and (y) as of the date hereof (i) except for those instruments listed on Schedule B, the American Lease and the Consent Agreement (as defined in the American Lease) are the only instruments to which the Port Authority and American (or any of their respective affiliates) are parties relating to the American Site, and (ii) the instruments listed on Schedule B are all subleases or concessions of portions of the American Site and do not materially adversely affect the City's rights under the Port Authority Lease and

are all subordinate to the American Lease and with respect to which the only remuneration paid to or on account of the Port Authority is a fee paid for approval of such sublease or concession by the Port Authority, and (z) neither this Agreement nor the New American Lease nor the RNDA is or will be in violation of the American Lease. American further stipulates and agrees that the City makes no representation or warranty of the legality of the use of the American Site for the purposes contemplated in the American Lease or herein, or that all discretionary or non-discretionary public approvals necessary for the City to execute and deliver the New American Lease or the RNDA have been obtained or that all procedures requisite to such execution and delivery have been satisfied. American further stipulates and agrees that the City makes no representation or warranty (i) regarding as to which, if any, public approvals, whether discretionary or otherwise, are requisite to the execution and delivery of the New American Lease or the RNDA, and (ii) that any necessary public approvals, whether discretionary or otherwise, have been obtained or shall be obtainable for the execution and delivery of the New American Lease or the RNDA. This Section 11(c) shall survive the termination of this Agreement.

(d) American represents, warrants, covenants and agrees to and with the City that it will invest, or cause to have been invested, at least (A) (Ex. 2.a.)

by not later than December 21, 2003; and (B) (Ex. 2.a.)

by not later than December 31, 2008 (through Bond proceeds or equity) in the Project on the American Site, subject to Force Majeure delays (not to exceed, in the aggregate, four years). As used herein, (I) "invest" or "invested" shall have the meanings ascribed to the terms "investment" or "invested" set forth in Section 1(b)(ix); and (II) "Force Majeure" shall have the meaning ascribed to it in Section 1(b)(ix) hereof. American further

represents, warrants, covenants and agrees that the development and construction of the Project shall be financed only by (i) American's own equity, (ii) the Bonds and (iii) general corporate debt which is unsecured by the Project. This Section 11(d) shall survive the termination of this Agreement.

(e) American represents and warrants that attached hereto as Exhibit F is a true, correct and complete copy of the American Lease. American covenants and agrees that it will promptly deliver a true, correct and complete copy of any modification, amendment, correction, supplement or restatement of the American Lease promptly after execution and delivery of same by the Port Authority and American, together with a certification by a duly authorized officer of American that same is a true, correct and complete copy of such modification, amendment, correction, supplement or restatement, as the case may be. This Section 11(e) shall survive the termination of this Agreement.

(f) American covenants and agrees that it shall cooperate in studies conducted by the City and with City proposals to mitigate impacts of the Project at the environs of the Airport, including without limitation, traffic on surrounding streets and highways. This Section 11(f) shall survive the termination of this Agreement for so long as American is in possession of the American Site.

(g) American represents and warrants that it has obtained (i) an owner controlled contractors pollution legal liability policy for environmental liabilities for the period of construction of the Project and (ii) a pollution legal liability site policy for environmental liabilities at the American Site. American covenants to cause The City of New York to be named as an additional insured on such policies and to supply to the City, at the time of IDA Bond closing, copies of such policies or binders and certificates of insurance therefor, reasonably

satisfactory to the City. American covenants that it shall comply with the terms and conditions of the American Lease relating to environmental matters at the American Site, including, without limitation, those set forth in Sections 59 and 65 of the American Lease, the terms of which are hereby incorporated by reference as if fully set forth herein, for the benefit of the City. This Section 11(g) shall survive the termination of this Agreement for so long as (x) American is in possession of the American Site or (y) any Bonds are outstanding or (z) the IDA Mortgagee has any rights under this Agreement.

(h) It is expressly understood between the parties that the City makes no representations or warranties during the term of this Agreement, nor shall it make any representations or warranties in or during the term of the New American Lease, as to the condition or state of title with respect to the Premises (as defined in Exhibit A hereto) or any portion thereof, including, without limitation, the existence or non-existence of any liens or encumbrances or conditions or defects in title. American expressly agrees that it shall take its leasehold interest under the New American Lease subject to the then existing state of title. This Section 11(h) shall survive the termination of this Agreement.

(i) The parties covenant and agree to cooperate in good faith with each other to obtain all applicable governmental approvals for the New American Lease, it being understood that such covenant and agreement on the part of the City is made, and such cooperation will be, solely in its proprietary capacity and not in its governmental capacity.

(j) American agrees to provide the City with written notice of any events or notices which could materially affect this Agreement, the RNDA or the New American Lease, or the rights or obligations of the City under any of same including by way of example but not limitation, the occurrence of (i) any American Lease Event of Default or IDA Financing

Event of Default (or any notice which could result in an American Lease Event of Default or IDA Financing Event of Default), (ii) the Redevelopment Work Completion Date, (iii) the Reletting Rights Effective Date (and any notices and certificates that are conditions thereto), (iv) any Notice of Proposed Successor Lessee (as defined in the American Lease), (v) any Reletting Election Notice (as defined in the American Lease), or (vi) any significant casualty or loss, etc. This Section 11(j) shall survive the termination of this Agreement.

(k) American represents and warrants that the Leasehold Mortgage is an IDA Mortgage and is, and will continue to be, held only by an IDA Mortgagee. This Section 11(k) shall survive the termination of this Agreement.

12. Non-liability of Individuals. No member, director, official, officer, agent or employee of any party hereto shall be charged personally or held contractually liable by or to the other party hereto under any term or provision of this Agreement, or of any other agreement, document or instrument executed in connection therewith, or of any supplement, modification, or amendment to this Agreement, or to such other agreement, document or instrument, or because of any breach or alleged breach of this Agreement, or such other agreement, document or instrument, or because of its or their execution or attempted execution. This Section 12 shall survive the termination of this Agreement.

13. Brokerage. American agrees to indemnify and hold the City harmless from and against any damages, expenses (including reasonable attorneys' fees) and liability arising from the claims of any broker, finder, consultant, person, firm or corporation, based upon or alleging negotiations, dealings or communications with American or its representatives. This Section 13 shall survive the termination of this Agreement.

14. Indemnification. American shall forever defend, indemnify and hold harmless the City, and its officials, officers, agents, representatives and employees from and against any and all liabilities, claims, demands, penalties, fines, settlements, damages, costs, expenses and judgments of whatever kind or nature, known or unknown, contingent or otherwise (a) except to the extent of gross negligence or intentional misconduct on the part of the City, for injury to any person or persons, including death, or any damage to property of any nature in connection with or arising out of in whole or in part, (i) any event which occurs on or at the American Site during the term of this Agreement, or (ii) any act(s) or omission(s) of American or of the employees, guests, contractors, subcontractors, representatives or agents of American occurring on or in connection with the American Site, including but not limited to, public ways, taxi lanes, pedestrian walkways, runways and common areas, or (iii) this Agreement, including, without limitation, any liability which the City may have to the Port Authority on account of the City's entering into this Agreement or the RNDA or the New American Lease or the City's or American's performance of any obligation under this Agreement, the RNDA or the New American Lease, or (b) arising out of, or in any way related to, the presence, storage, transportation, disposal, release or threatened release of any Hazardous Materials (as hereinafter defined) over, under, in, on, from or affecting the American Site or any persons, real property, personal property, or natural substances thereon or affected thereby during the term of this Agreement. For purposes of this paragraph "Hazardous Materials" means (i) any "hazardous waste" as defined under the Resource Conservation and Recovery Act, 42 U.S.C. Section 5101 et seq., or (ii) "hazardous substance" as defined under the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., or (iii) "hazardous materials" as defined under the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101

et seq., or (iv) "hazardous waste" as defined under New York Environmental Conservation Law Section 27-0901 et seq., or (v) "hazardous substance" as defined under the Clean Water Act, 33 U.S.C. Section 1321 et seq. The provisions of this Section 14 shall survive the termination of this Agreement.

15. No Recording of this Agreement; Recording of Release. Neither this Agreement nor any memorandum thereof shall be recorded by or through, or on behalf of, American, in the Register's Office of Queens County or any other recording office. Without limiting the foregoing, American shall pay any and all transfer and document taxes and charges in connection with the execution of this Agreement. Upon the expiration or earlier termination of this Agreement for any reason whatsoever (including failure of the parties to execute and deliver the New American Lease by the Proposed Lease Execution Date), American covenants, upon demand by the City, to execute in recordable form an instrument (the "Release") prepared by the City in which American represents, stipulates and agrees for itself and anyone claiming by, through or under it, that this Agreement is terminated and does not encumber or burden the American Site or any other premises affected by this Agreement. The City at its option may record the Release against the American Site or any other affected premises. American further covenants to execute and deliver such other instruments as may be necessary in order to record the Release against the American Site or such premises. If American fails to execute and deliver to the City such instrument in recordable form within ten (10) days after being furnished with same by the City, the City may execute same on behalf of American, and American hereby irrevocably and conclusively appoints the City as its attorney in fact to execute the Release, and such other instruments as may be necessary to record the Release, on behalf of American. American further agrees to provide such further assistance as may be necessary or convenient in

order to effectuate the purposes of this Section 15. This Section 15 shall survive the termination of this Agreement.

16. Books and Records; Audit Rights.

(a) Maintenance of Books and Records. During the term of this Agreement, and for a period extending twelve (12) months beyond the term of this Agreement, American shall keep and maintain at an office in the City (or at its corporate headquarters if it produces copies thereof in the The City of New York at the request of the City) complete and accurate books and records of accounts of the operations at the American Site, and shall preserve such records for a period of at least six (6) years beyond the term of this Agreement. However, if, at the expiration of such six (6) year period, the City is auditing the books and records of American as provided in subsection (b) below, American shall preserve such records until the conclusion of such audit.

(b) Inspection and Audits of Books and Records. Commencing as of the date hereof and for a period extending six (6) years beyond the term of this Agreement, the City, the Comptroller and/or the agents or representatives of the City shall have the right from time to time during regular business hours, upon twenty-four (24) hours notice, to inspect, copy and audit and, at its option, duplicate, all of American's books and records relating in any manner to this Agreement (but in any event excluding information which American is required to keep confidential pursuant to law, such as information relating to employees). American shall produce all such books and records in The City of New York, upon request of the City, the Comptroller and/or the agents and representatives of the City during the term of this Agreement. The foregoing notwithstanding, if on the date which is six (6) years beyond the term of this Agreement the City or the Comptroller and/or the agents and representative or the City are

conducting an audit, then this Section 16 shall remain effective until the conclusion of such audit.

(c) Nothing in this Section 16 shall limit the rights of the Comptroller. Section 16 shall survive the termination of this Agreement.

17. Intentionally Left Blank.

18. Counterparts. This Agreement may be executed in one or more counterparts which, when together, shall constitute one and the same document.

19. Notices; Service.

(a) Whenever it is provided herein that notice, demand, request, consent, approval or other communication shall or may be given to, or served upon, either of the parties by the other, or whenever either of the parties desires to give or serve upon the other any notice, demand, request, consent, approval or other communication with respect hereto or to the American Site, each such notice, demand, request, consent, approval or other communication shall be in writing and shall be effective for any purpose only if given or served as follows:

(i) If to American, by hand with proof of delivery or by mailing the same to American by express or certified mail, postage prepaid, return receipt requested, addressed to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5317
Forth Worth, Texas 76155
Attention: Vice-President, Corporate Real Estate

with a copy to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5618
Fort Worth, Texas 76155
Attention: General Counsel

or to such other address as American may from time to time designate by notice given to the City by express or certified mail, return receipt requested.

(ii) If to City, by hand with proof of delivery or by mailing the same to City by express or certified mail, postage prepaid, return receipt requested, one addressed to:

The City of New York
City Hall
New York, New York 10007
Attention: Deputy Mayor for Economic Development
and Rebuilding

and one to:

The City of New York Department of Business Services
110 William Street, Third Floor
New York, New York 10038
Attention: Commissioner

and one to:

New York City Economic Development Corporation
110 William Street
New York, New York 10038
Attention: General Counsel

with a copy to:

The New York City Law Department
100 Church Street
New York, New York 10007
Attention: Chief, Economic Development Division

or to such other address(es) and attorneys as City may from time to time designate by notice given to American by express or certified mail, return receipt requested.

(b) Every notice, demand, request, consent, approval or other communication hereunder shall be deemed to have been given or served three (3) days after the time that the same shall have been actually deposited in the United States mails, postage prepaid,

as aforesaid, except that notice by express or certified mail, return receipt requested, shall be deemed effective on the date such receipt is dated by the Post Office or express mail carrier, as the case may be, and notice by hand shall be effective upon delivery, as evidenced by a signed receipt.

20. No Assignment by American. Except as otherwise expressly provided in this Section, this Agreement shall not be assigned, transferred, pledged or otherwise encumbered by American without the written consent of the City, which consent shall be given or withheld in the City's sole and absolute discretion, provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of American who becomes tenant under the American Lease and which is or is to be a Scheduled Aircraft Operator (as hereinafter defined), and with or into which American has merged or consolidated, or which has succeeded to the assets of American or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft (as defined in the American Lease), and provided, further, that such succeeding entity or purchaser (whether it be American or any other entity or purchaser) satisfies the Financial Tests in Section 19 of the American Lease, and/or provides the Consent Security Deposit to the Port Authority, as required, and executes and delivers to the City an instrument in a form satisfactory to the City assuming the obligations of American as if it was the original party to this Agreement. The term "Scheduled Aircraft Operator" shall have the meaning ascribed to it in the American Lease, except that it shall be an additional requirement that such operator shall not be a Prohibited Person.

21. Specific Performance. The parties agree that damages would not be an adequate remedy for the failure of either party to perform its respective obligations hereunder,

and therefore, this Agreement and the covenants and agreements set forth herein shall be subject to specific performance. This shall not limit the right of the City or any Successor Entity to terminate this Agreement in accordance with the terms hereof. This Section 21 shall survive termination of this Agreement.

22. No Consent; Mortgages Not Recognized.

(a) It is hereby agreed, recognized and understood that in entering into this Agreement and the RNDA, the City is not in any manner whatsoever approving, recognizing or consenting or acquiescing to, any use, grant of use, occupancy, possession, right, claim, interest, tenancy or estate in or with respect to the Airport, or any portion thereof, including, without limitation, the American Site, by the Port Authority or which the Port Authority may assert, with respect to any period of time beyond the stated expiration date or earlier termination of the Port Authority Lease, notwithstanding any term or provision of the American Lease or any other document to the contrary or otherwise. Nothing contained in this Agreement or the RNDA shall be deemed to operate as a consent to any breach of the Port Authority Lease or any waiver of any of the City's rights and remedies under or pursuant to the Port Authority Lease. The City has not consented to the American Lease or the Consent Agreement or the Leasehold Mortgage, nor any other mortgage, lien, pledge, encumbrance or security interest in connection with the American Lease; none of the American Lease, the Consent Agreement or the Leasehold Mortgage, and no other mortgage, lien, pledge or encumbrance on or in connection with the American Lease shall be effective with respect to, or shall encumber or burden, any New American Lease, the estate or interest of the City in the American Site, or any property located therein or thereon, nor shall the City be required to recognize or permit any of the foregoing. The foregoing shall not limit the Fee Owner's obligations, if any, under the RNDA to recognize

American or recognize a Qualified Mortgage (as defined in the RNDA) in the circumstances and on the terms provided therein.

(b) This Section 22 shall survive termination of this Agreement.

23. There shall be no third-party beneficiaries of this Agreement. This Agreement shall be effective only as between the parties hereto (and their successors and assigns, if, as and to the extent permitted under this Agreement), and shall not be construed as creating or conferring upon any person or entity any right, remedy or claim under or by reason of this Agreement. Notwithstanding the foregoing, nothing in this Section 23 shall deprive the IDA Mortgagee of any of the rights granted to the IDA Mortgagee under Section 6 of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf by their duly authorized officers, all as of the date, first above written.

Approved as to Form

Acting Corporation Counsel

THE CITY OF NEW YORK

By:
Name: Robert Walsh
Title: Commissioner of the Department of Business Services

AMERICAN AIRLINES, INC.

By:
Name:
Title:

Leslie M. Benners
Managing Director
Corporate Finance & Banking

SCHEDULE A

(MAPS - SEPARATE ATTACHEMENT)

Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

SCHEDULE B

(SEPARATE ATTACHMENT)

Tenant Name	Leas Ref	Leas Desc	Leas Start Date	Leas Expiry Date
THE HERTZ CORPORATION (FEE)	JFK8166	BLDG 57 1 WALL PHONE 2 SPACE	02/01/60	#EMPTY
AVIS RENT A CAR SYSTEM, INC. (	JFK8167	BLDG 57 WALL PHONE 2 SPACE	06/01/80	#EMPTY
NATIONAL CAR RENTAL SYSTEM, IN	JFK8637	BLDG 57/1 WALLPHONE 2 SPACE	06/01/80	#EMPTY
BUDGET RENT A CAR	JFK8647	BLDG 57 WALL PHONE 2 SPACE	06/01/80	#EMPTY
DOLLAR-RENT-A-CAR (FEE)	JFK8658	BLDG 57 TERM 8/1 WALLPHONE	06/01/82	#EMPTY
SKY CHEFS, INC.	JFK8944	[AYA-707] Hangar 10 Kitchen	04/01/87	#EMPTY
ROCKWELL COLLINS	JFK8982	BLDG 57 RAMP LEVEL GATE 12	06/01/88	#EMPTY
PORT AUTHORITY ($0)	JFK9020	BLDG 57 GRND TRANSP COUNTER	05/18/87	#EMPTY
AMERICAN EXPRESS TRVL RELATED	JFK9086	[AYB-172] BLDG 57 COIN-OP	08/01/76	#EMPTY
SKY SITES, INC.	JFK9105	AYC-7 BLDG 57 INCLUDES JFK9151	08/01/90	12/31/05
OGDEN NEW YORK SERVICES, INC.	JFK9153	BLDG 57 SERVICING AIRCRAFT	06/01/91	#EMPTY
DOLLAR RENT-A-CAR	JFK9157	BLDG 56 WALL PHONE SPACE	06/01/91	#EMPTY
NATIONAL CAR RENTAL SYSTEM, IN	JFK9158	BLDG 56 WALLPHONE SPACE	06/01/91	#EMPTY
BUDGET RENT-A-CAR SYSTEMS INC.	JFK9179	BLDG 56 WALL PHONE 1 SPACE	06/01/91	#EMPTY
AVIS RENT-A-CAR SYSTEM, INC.	JFK9180	BLDG 56 WALL PHONE SPACE	06/01/91	#EMPTY
THE HERTZ CORPORATION (FEES)	JFK9181	BLDG 56/1 WALL PHONE 2 SPACES	06/01/92	#EMPTY
AMERICAN EXPRESS TRAVEL RELATE	JFK9267	[AYC-261] BLDG 57 TRAVEL CHECK	06/01/92	#EMPTY
SKY CHEFS, INC.	JFK9293	SUBLEASE STORAGE/OFFICE SPACE	06/01/94	#EMPTY
AFFILIATED COMPUTER SERVICES,	JFK9297	BLDG 57; ATM MACHINE @ ADM	07/01/94	#EMPTY
Worldwide Flight Services	JFK9324	INTERIM AGMT CONSENTS FOR	01/01/94	#EMPTY
WRAP RITE INT'L BAGGAGE PROTEC	JFK9356	[AYC-520] BAG PROTECTION	06/20/94	#EMPTY
SKY CHEFS, INC.	JFK9409	CONSENT CONCESSION AGMT	08/01/76	#EMPTY
MEEGAN SERVICES, INC.	JFK9491	HOTEL DESK PERMIT/BLDGS 8	03/01/97	#EMPTY
FEDERAL EXPRESS CORPORATION	JFK9516	PLACEMENT AGREEMENT	05/01/97	#EMPTY
MR. EMIDIO RIVIELLO	JFK9527	SHOE SHINE STAND AT JFK	10/01/96	#EMPTY
CYBER EVENTS & ADV. CORP.	JFK9266	INTERIM CONCESSION AGMT 56/57	01/01/94	#EMPTY
AA FEDERAL CREDIT UNION	JFK9253	CREDIT UNION: HANGAR 10	01/01/94	#EMPTY
AMERICAN EAGLE AIRLINES, INC.	JFK9166	BLDG 56 HOLDROOM/OPERATIONS	06/01/91	#EMPTY
AA FEDERAL CREDIT UNION	JFK9323	ATM: BLDG 57 BAGCLAIM FACILITY	02/01/94	#EMPTY
AERONAUTICAL RADIO INC.	JFK8414	ROOM M-311, 312	08/01/76	#EMPTY
SKY MARKETING LTD.	JFK9589	PUBLIC PAY FAX MACHINES AT JFK	10/15/98	#EMPTY
AT&T WIRELESS SERVICES	JFK9524	SUBLEASE JFK EAST END HANGAR	05/01/98	#EMPTY
QANTAS AIRWAYS	JFK9506	TERMINAL 9 OFFICE SPACE	04/01/97	#EMPTY
MATSUSHITA AVIONICS SYSTEMS CO	JFK9590	HANGAR 10/ROOM 202 ADMIN OFC	09/08/98	#EMPTY
ROLLS-ROYCE, INC.	JFK9088	HANGAR 10 STORAGE	03/01/91	#EMPTY
SKY CHEFS, INC.	JFK9317	(AYC-462)CONCESSION AGMT	12/31/95	12/30/06

EXHIBIT A

to

AGREEMENT TOWARDS ENTERING INTO A LEASE ("Agreement")

SUMMARY OF TERMS OF THE NEW AMERICAN LEASE

Unless otherwise defined or specified below, capitalized terms used in this Summary shall have the meanings ascribed to them in the Agreement.

Landlord: The City of New York, acting by and through its Department of Business Services, or The City of New York's successor in interest, assignee, or direct or indirect lessee (sometimes referred to as the "City" or "Landlord").

Tenant: American Airlines, Inc., a corporation organized and existing under the laws of the State of Delaware, or any permitted successor in interest to American (sometimes referred to as "Tenant").

Premises: Certain land at the Airport as more specifically described in Lease AYB-085 and more specifically shown on Exhibit 1.1 to the Amended and Restated Lease AYB-085R, less the Surrendered Premises and together with the Additional Premises, and together with all structures, improvements, additions, fixtures and buildings (including without limitation, the air passenger terminal facility) located, constructed or installed, or which may be located, constructed or installed therein, thereon or thereunder and the equipment permanently affixed or permanently located therein ("Equipment") such as electrical, plumbing, sprinkler, fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins constructed thereon, therein or thereunder (all of the foregoing, the "Premises"), such Premises being more particularly shown on the two maps which are each entitled, "Terminals 8 and 9 Lease Line Modification (American Airline)", each dated September 27, 1999, and each prepared by the Aviation Department and Project Management and Technical Services Division of the Port Authority (copies of which maps are attached hereto, collectively, as Schedule A), provided, however, that the AirTrain, the Cogeneration Facility, the Traffic Systems and the Distribution Portion of the System (as such capitalized terms are defined in the Amended and Restated Lease AYB-085R) are not a part of the Premises. The Tenant shall also have such non-exclusive rights, determined in the City's or any Successor Entity's discretion, as may be necessary for access to, egress from, provision of utilities to, and operation of, the facilities located, constructed or installed at the Premises. In addition, The City of New York, or at its option, Landlord and/or fee owner if different, shall have rights of ingress and egress to, from and across the Premises for airport, emergency and inspection purposes. The City may relocate or alter the means of Tenant's access to and egress from the Premises provided reasonably comparable substitution is made therefor. Title to all structures, improvements, additions, Equipment, fixtures and buildings shall be held by IDA or the City, provided that upon the expiration or termination of the New American Lease, title shall be in The City of New York, or, at its option, in Landlord or fee owner if different. Except to the extent required for the

performance of any of the obligations of Tenant with respect to the operation or maintenance of the facilities located, constructed or installed on the Premises pursuant to the American Lease, the City shall not grant Tenant any rights whatsoever in the air space above the height of such facilities.

Use: The Premises shall be used as a passenger facility terminal and for activities ancillary thereto and any other purpose or activity which Landlord may authorize in writing in its sole and absolute discretion, and for no other use or purpose, and in no event other than as provided for in the applicable ULURP.

Term: Commencing on the day first following the day after the expiration, but not the earlier termination, of American's interest under the American Lease, and ending on the earlier to occur of (i) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date (as defined in the American Lease) and (ii) December 21, 2036.

Rentals: Tenant shall be required to pay to the City rent during the term of the New American Lease in advance on the first day of each month. Ground rent shall be in the amount payable immediately prior to the expiration of the American Lease (but not less than the amount to be then paid under the American Lease as is set forth therein on the date of the Agreement), increased annually, starting as of the commencement date of the New American Lease by an amount equal to the greater of (a) four percent (4%) or (b) one-half (1/2) of the increase in the Consumer Price Index (All Urban Consumers, New York-Northeastern New Jersey-Long Island) ("CPI") over the immediately preceding lease year. Tenant shall also pay Landlord rental on improvements located at the Premises, e.g., Area I Building Rental, Area II Building Rental and Terminal Rental, as the case may be, in the same amounts as would have been payable under the American Lease if the American Lease had been extended and was still in effect (including, without limitation, any increases or decreases which would have been required to be made if the American Lease was so extended and in effect), provided however, that in no event shall rental on the improvements be less than the fair market rental thereof, determined by appraisal, and abated, or escalated, by the same percentage which rental would have been abated or escalated, if any, if the American Lease had been extended and was still in effect. The methodology for the appraisal shall be negotiated in good faith prior to execution and delivery of the New American Lease. Tenant shall also be required to pay to the City all other types of rental payable under the American Lease (including, without limitation, handling fees, Lessee's Unamortized Redevelopment Investment (as defined in the American Lease), and all rental associated with advertising, concessions, the retail program, and the Consumer Services (as defined in the American Lease)), in amounts not less than such amounts to be then paid under the American Lease for such periods as is set forth therein on the date hereof or such higher amounts as shall be provided in any amendments.

Real Estate Taxes and Impositions: If during the period of the New American Lease it is customary for ground tenants or ground subtenants of air passenger terminals at the Airport, or for persons otherwise having occupancy rights at terminals at JFK which rights are of comparable magnitude as Tenant's rights under the New American Lease, to pay real property taxes or to make payments in lieu of real property taxes, then Tenant shall pay (as rental or as otherwise directed by the City) to The City of New York all real property taxes assessed and levied against the Premises or, if the Premises are exempt from the payment of real property

taxes, payments in lieu thereof, in the full amount which would have been payable as real property taxes if the Premises were not exempt from real estate taxes. Similarly, if it is customary for such ground tenant, subtenant or person to pay any Impositions or make payments in lieu thereof, Tenant shall pay said Impositions or make payments in lieu thereof in the full amount thereof. "Impositions" is hereby defined as all real property general and special assessments (without duplication of payments of real estate taxes or payments in lieu of real estate taxes); personal property taxes; occupancy and rent taxes; water, water meter and sewer rents, rates and charges; excises, levies; license and permit fees; service charges with respect to police and fire protection, street and highway construction, maintenance and lighting, sanitation and water supply; any fines, penalties and other similar or governmental charges applicable to the foregoing, together with any interest or costs with respect to the foregoing; and any other governmental levies, fees, rents, assessments or taxes and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, together with any fines and penalties and any interest or costs with respect thereto, which at any time during the Term are assessed, levied, confirmed, imposed upon, grow out of, or become due and payable out of or in respect of, or would be charged in respect of, (1) the Premises or any portion thereof or (2) the sidewalks or streets in front of or adjoining the Premises or any portion thereof, or (3) any vault, passageway or space in, over and under such sidewalk or street or (4) any other appurtenances of the Premises or any portion thereof, or (5) any personal property, equipment or other facility used in the operation of the Premises, or (6) the rental and other payments, or any portion thereof, payable by Tenant under the New American Lease.

Abatements: The New American Lease shall provide for appropriate rent abatement in the event of substantial restrictions on use or reduction in the size of the Premises, as a consequence of condemnation or governmental action over which Tenant has no control.

Compliance with Law: Tenant shall comply with all applicable laws, including all building codes and permit requirements, all FAA rules and the Landlord's rules respecting similar facilities at the Airport. Without limiting the foregoing, Tenant shall operate the property in a non-discriminatory manner and shall continue the affirmative action program under applicable federal law and regulations. Further, and without limiting the foregoing, the New American Lease will contain terms under which Tenant will be required to render the Premises legal for occupancy in accordance with applicable law within definitive time periods as shall be set forth in the New American Lease.

Maintenance of Premises: Tenant shall repair, clean and maintain the Premises or cause them to be repaired, cleaned and maintained, including, without limitation, landscaping, utility service lines, obstruction lights, painting, paving, removal of snow and ice, fire and life safety equipment and systems and access roads. At Landlord's option, condition surveys of the Premises will be performed by Tenant, the frequency and scope of which, as well as the determination of a qualified third party to conduct the survey, shall be negotiated by the parties in good faith and included in the New American Lease. Tenant agrees to comply with all recommendations in said surveys and Tenant agrees to be responsible for the cost of preparing the condition surveys.

Condemnation, Casualty or Destruction: The New American Lease shall contain condemnation, casualty and destruction provisions, without limitation, that are then usual and customarily included in leases from Landlord to a tenant for similar IDA bond-financed projects, including,

without limitation, the City's agreement to make any insurance proceeds available to, at the City's option, either (a) restore the Premises or (b) if the New American Lease is terminated, retire or defease the Bonds.

Insurance and Indemnity: The New American Lease shall contain insurance and indemnity provisions and coverage amounts which are appropriate in Landlord's determination for the size and nature of the operations being conducted at the American Site as well as Landlord's potential liability or financial exposure. In reaching such determination, Landlord shall act in good faith. Such insurance and indemnity provisions to be included in the New American Lease shall be at least as protective of Landlord as such provisions are protective of the Port Authority in the American Lease, it being understood and agreed, however, that Landlord is not agreeing to such provisions and reserves the right to reject any of them in whole or in part. To the extent the insurance and indemnity provisions are more protective of the Landlord than of the Port Authority in the American Lease, and the added cost thereof is prohibitive or, in Tenant's good faith judgment, not reasonably supportable economically by the Project, the parties may treat the New American Lease negotiations as having failed after good faith efforts, thereby terminating the Agreement as provided therein.

Sale, Assignment, Subleasing, Leasehold Mortgage: Reference is made to the penultimate sentence of Section 22(a) of the Agreement, the provisions of which are incorporated into and made a part of this Exhibit A. Tenant shall not sell, convey, transfer, mortgage, pledge, assign or sublet the leasehold or the Premises, except for assignments and sublets made with Landlord's prior written consent in its sole and absolute discretion. Notwithstanding the foregoing, and provided that (i) the Reletting Rights Effective Date, as defined in the American Lease, occurred under the American Lease, (ii) the Leasehold Mortgage and/or the Reletting Rights, both as defined in the American Lease, have not terminated, expired or ended under the American Lease, and (iii) the Mortgagee Rights Period did not terminate or expire prior to the expiration of the American Lease, Landlord agrees not to unreasonably withhold its consent to a leasehold mortgage and associated reletting rights in favor of The Bank of New York, as Trustee or its successor trustee (who is not a Prohibited Person) who has been approved pursuant to and in accordance with the Indenture to secure repayment or the guarantee of repayment of the Bonds, which leasehold mortgage meets the requirements to be negotiated in good faith as part of the negotiation for the New American Lease, it being understood that Landlord may in good faith have different, but reasonable requirements, than the Port Authority's requirements and/or may, at its option, insist on any or all of the provisions of the Leasehold Mortgage and Reletting Rights and on all or any of the protections afforded the Port Authority in connection with the Leasehold Mortgage and associated Reletting Rights in its Consent to Subleases and Mortgage Agreement or elsewhere. Any consent by Landlord to a leasehold mortgage, reletting rights, or the exercise of such rights, shall require payment of various fees to Landlord, including but not limited to those payments, in substantially the same terms and amounts, as set forth and defined in the American Lease as Deferred Reletting Fee or Deferred Reletting Fee Rental and Deferred Reletting Fee Payment Amount, Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees, Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and Leasehold Mortgagee's Foreclosure Period Payments including Leasehold Mortgagee's Foreclosure Period Commencement Payments, Leasehold Mortgagee's Foreclosure Period Current Basis Payments and Foreclosure Period Extension Fee. Landlord may require fees as a condition of its approval of any proposed sublease. Reasonable exceptions for

assignments to affiliates and as a result of mergers/consolidations to be included, it being understood that the City's provisions regarding Prohibited Persons and persons with whom the City will not generally do business will be adhered to at City's option. Security Deposits shall be required for all assignments not meeting minimum financial conditions, all as to be more particularly specified in the New American Lease.

Change of Tenant's Ownership: Tenant shall not permit a Change in Control without Landlord's prior written consent.

Events of Default; Right to Terminate: The New American Lease shall contain default provisions setting forth the rights and remedies of the City in the event of any breach, fault or default of Tenant under the New American Lease and/or the IDA Bond Documents. Such provisions shall include, with respect to monetary defaults, a cure period of twenty (20) days after receipt of written notice from Landlord and, with respect to non-monetary defaults (other than insolvency and bankruptcy types of defaults as to which there may be no notice or cure period), a cure period of thirty (30) days after receipt of written notice from Landlord (which cure period, if such default, other than for bankruptcy or insolvency types of defaults, is not susceptible of cure within said thirty (30) day period, may be extended to the extent necessary to complete such cure provided that Tenant shall have commenced such cure within said thirty (30) day period and shall be diligently pursuing such cure to completion). If Tenant fails to cure any default within the applicable periods, Landlord shall have the right, without limitation, to terminate the New American Lease and Tenant's rights thereunder.

Tenant's Covenant to Maximize Operations: Tenant shall seek to maximize its use of the air passenger facility at the Premises (based on then current levels at the Airport) and shall seek to keep the Premises fully occupied and used.

Landlord Services: Landlord shall have the right, but not the obligation, to sell and furnish to Tenant, or cause to be sold and furnished to Tenant, electricity, water, and sewage services. If the same is not supplied by Landlord, Tenant shall arrange for such services directly with the provider of same. Tenant shall be responsible for costs of all underground utilities affected by the Project and the cost of any additional capacities required to be installed by the City or its successors in connection with American's operations at, or use or possession of, the Premises.

Environmental Obligations: Tenant shall comply with any applicable governmental or regulatory environmental requirements with respect to the operation of the Premises and with respect to any hazardous materials introduced in or on the Premises from and after the date on which possession of the Premises was initially delivered to Tenant. Tenant shall deliver to Landlord prior to execution of New American Lease a complete environmental report with respect to the environmental condition of the Premises. Tenant shall comply with all its environmental obligations contained in the American Lease. Tenant shall provide the City with an appropriate environmental indemnity.

Retail Program: Tenant shall operate a "premier world class" retail program defined as one that consistently scores within the top ten percent of industry recognized surveys. If Tenant has an asset manager or retains a developer of its concessions program, it will absorb all associated costs. In such event, the asset manager or developer and any of its affiliates may not operate or

have an equity ownership in any concession at the Premises. Tenant shall deliver the Premises to all future concessionaires inclusive of utilities brought to the site and demising walls. The City and Tenant shall conduct an annual joint review of its comprehensive retail plan, including the determination as to appropriate modifications.

Customer Service: Tenant shall actively participate in any customer service initiatives that the City may undertake. Tenant shall provide services at the Premises for the benefit of the traveling public in a manner consistent with any airport standards which developed by the City in consultation with the airlines for first-class airport terminals ("Airport Standards"). Tenant will cooperate with the City and other airlines serving the traveling public at the Airport in maintaining these Airport Standards through working groups and other means to be negotiated by the parties.

Pricing. American shall ensure that during the term of the New American Lease, through the enforcement of contractual provisions and all other commercially reasonable efforts, the prices for goods at concessions and elsewhere, including food and beverage and retail items, at the American Site are not set at a premium and are the same as for those sold off the American Site in the City at comparable retail establishments (i.e., "street pricing").

Utilities: To the extent not done prior to commencement of the New American Lease, Tenant will be responsible for relocating all underground utilities affected by its operations at, or use or possession of, the Premises and the cost of any additional capacities required to be installed. Utilities will be at Tenant's expense and of a nature and from a source to be negotiated by the parties in light of the then existing utilities structure at the Airport.

Light Rail System (or successor or additional mass transit system(s): Tenant agrees to the construction and operation of a passenger station on the Premises. Tenant will permit the construction of the station, connector and guideway structures on the Premises. Tenant will provide and be responsible for the vertical circulation in or adjacent to the Terminal and appropriate signage in the Terminal and Premises which shall be appropriate to the operation of AirTrain or any other means of mass transit to be developed for the Airport. Tenant also agrees to use the system (or any such successor) when it is completed. Any changes to the station/connector design will be at Tenant's expense.

Non-Discrimination/Affirmative Action: Tenant will comply with any FAA and City requirements.

Frontage Control: Frontage control will conform to City, if any, and FAA requirements.

Ground Transportation Information: Tenant will arrange for ground transportation information services providing communication links to City designated limousine, courtesy vehicle, hotel and charter bus dispatch operations.

Underutilization: The City retains the right to require Tenant to permit use of the Premises by additional airlines, under reasonable circumstances to be determined, in the event the Premises is underutilized. Such determination will be on the basis of revenue seats daily average. Tenant agrees, if its schedule permits, to make space available to a requesting airline and will charge reasonable fees.

Rules and Regulations: The City's airport rules and regulations will be applicable to the Premises.

Books and Records: Complete books and records relating to the Premises to be maintained in the City of New York; Landlord to have full copy and audit rights.

Parking Garage: If the Parking Garage referred to in Section 90 of the American Lease is not built and Landlord decides to build a garage the benefits of which to Tenant would be substantially similar, Tenant agrees that it will pay one-third of the cost thereof as additional rental.

Conditions Precedent: The New American Lease shall also contain conditions (waivable in the City's sole and absolute discretion) which must be satisfied by American at all times after execution and immediately prior to the effectiveness of the letting under said New American Lease, it being understood that such conditions shall be substantially similar to the Conditions Precedent (as defined in the Agreement) with such reasonably appropriate modifications and supplements as the City reasonably deems necessary in light of then existing circumstances.

EXHIBIT B

"Prohibited Person" shall mean:

(i) Any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the New York City Economic Development Corporation ("EDC"), or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or EDC, unless such default or breach has been waived in writing by the City or EDC, as the case may be.

(ii) Any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

(iii) Any government, or any Person that is directly or indirectly controlled (rather than only regulated) by a government, that is finally determined to be in violation of (including, but not limited to any participant in an international boycott in violation of) the Export Administration Act of 1979, as amended, of any successor statute, or the regulations issued pursuant thereto, or any government that is, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government that is subject to the regulations or controls thereof.

(iv) Any government, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government, the effects or the activities of which are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended.

(v) Any Person that is in default in the payment to the City of any real estate taxes, sewer rents or water charges totaling more than $10,000 (or any Person that directly controls, is controlled by, or is under common control with a Person in such default), unless such default is then being contested in good faith and with due diligence in accordance with the law.

(vi) Any Person (A) that has owned at any time in the preceding three (3) years any property which, while in the ownership of such Person, was acquired by the City by in rem tax foreclosure, other than a property in which the City has released or is in the process of releasing its interest to such Person pursuant to the Administrative Code of the City or (B) that, directly or indirectly, controls, is controlled by, or is under common control with such a Person.

The determination as to whether any Person is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or directly or indirectly controls, is controlled by, or is under common control with a Person that is an organized crime figure or is reputed too have substantial business or other affiliations with an organized crime figure shall be within the sole discretion of the City exercised reasonably and in good faith.

EXHIBIT C

MACBRIDE PRINCIPLES RIDER

ARTICLE I. MACBRIDE PRINCIPLES

PART A

The contractor stipulates that such contractor and any individual or legal entity in which the contractor holds a ten percent or greater ownership interest and any individual or legal entity that holds a ten percent or greater ownership interest in the contractor either (a) have no business operations in Northern Ireland, or (b) shall take lawful steps in good faith to conduct any business operations they have in Northern Ireland in accordance with the MacBride Principles, and shall permit independent monitoring of their compliance with such principles.

PART B

For purposes of this section, "MacBride Principles" shall mean those principles relating to nondiscrimination in employment and freedom of workplace opportunity which require employers doing business in Northern Ireland to:

(1) increase the representation of individuals from underrepresented religious groups in the work force, including managerial, supervisory, administrative, clerical and technical jobs;

(2) take steps to promote adequate security for the protection of employees from underrepresented religious groups both at the workplace and while traveling to and from work;

(3) ban provocative religious or political emblems from the workplace;

(4) publicly advertise all job openings and make special recruitment efforts to attract applicants from underrepresented religious groups;

(5) establish layoff, recall and termination procedures which do not in practice favor a particular religious group;

(6) abolish all job reservations, apprenticeship restrictions and different employment criteria which discriminate on the basis of religion;

(7) develop training programs that will prepare substantial numbers of current employees from underrepresented religious groups for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade and improve the skills of workers from underrepresented religious groups;

(8) establish procedures to assess, identify and actively recruit employees from underrepresented religious groups with potential for further advancement; and

(9) appoint a senior management staff member to oversee affirmative action efforts and develop a timetable to ensure their full implementation.

ARTICLE II. ENFORCEMENT OF ARTICLE I.

The contractor agrees that the covenants and representations in Article I above are material conditions to this contract. In the event the contracting entity receives information that the contractor who made the stipulation required by this section is in violation thereof, the contracting entity shall review such information and give the contractor an opportunity to respond. If the contracting entity finds that a violation has occurred, the entity shall have the right to declare the contractor in default and/or terminate this contract for cause and procure the supplies, services or work from another source in any manner the entity deems proper. In the event of such termination, the contractor shall pay to the entity, or the entity in its sole discretion may withhold from any amounts otherwise payable to the contractor, the difference between the contract price for the uncompleted portion of this contract and the cost to the contracting entity of completing performance of this contract either itself or by engaging another contractor or contractors. In the case of a requirements contract, the contractor shall be liable for such difference in price for the entire amount of supplies required by the contracting entity for the uncompleted term of its contract. In the case of a construction contract, the contracting entity shall also have the right to hold the contractor in partial or total default in accordance with the default provisions of this contract, and/or may seek debarment or suspension of the contractor. The rights and remedies of the entity hereunder shall be in addition to, and not in lieu of, any rights and remedies the entity has pursuant to this contract or by operation of law.

(Note: for purposes of this rider, the "contractor" means American Airlines, Inc. and the "contracting entity" means The City of New York)

EXHIBIT D

Background Investigation; Refusal to Testify.

American agrees to cooperate fully and faithfully with any investigation, audit or inquiry conducted by the City of New York (the "City") or the State of New York (the "State") or any governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the inspector general of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license that is the subject of the investigation, audit or inquiry.

If:

(i) any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, State, or any political subdivision or public authority thereof, or The Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State, or;

(ii) any person refuses to testify for a reason other than the assertion of his or her privilege against self incrimination in an investigation, audit or inquiry conducted by the City or State or any governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the inspector general of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, State, or any political subdivision thereof or any local development corporation within the City;

then the commissioner or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing, upon not less than five days written notice to the parties involved, to determine if any penalties should attach for the failure of a person to testify.

If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending final determination pursuant to this Section without the City incurring any penalty or damages for delay or otherwise.

The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:

(I) the disqualification for a period not to exceed five years from the date of an adverse determination of any person, or any entity of which such person was a member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or

(II) the cancellation or termination of any and all existing City contracts, leases, permits or licenses that the refusal to testify concerns and that have not been assigned as permitted under this Agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling the hearing, without the City incurring any penalty or damages on account of such cancellation or termination. Monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

The commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (1) and (2) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (3) and (4) below in addition to any other information which may be relevant and appropriate.

(1) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.

(2) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.

(3) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.

(4) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under this Section, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in this Section gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.

As used in this Section, the term (i) "Principal" means an individual, partnership, joint venture or corporation which holds a 10% or greater ownership interest in the entity of which it is a Principal, and (ii) "Officer" means any individual who serves as chief executive officer, chief financial officer or chief operating officer by whatever title known, (iii) "Prohibited Person" has the meaning set forth in Exhibit B hereto, (iv) "license" or "permit" means a license,

permit, franchise or concession not granted as a matter of right, (v) "person" means any natural person doing business along or associated with another person or entity as a partner, director, officer, principal or employee, (vi) "entity" means any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City or otherwise transacts business with the City, and (vii) "member" means any person associated with another person or entity as a partner, director, officer, principal or employee.

This Exhibit D shall apply only for so long as the City or an agency or instrumentality thereof shall be the lessor under or a party to this Agreement.

EXHIBIT E

RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

This Recognition, Non-Disturbance and Attornment Agreement (this "Agreement"), dated as of the 31st day of July, 2002 between THE CITY OF NEW YORK, a municipal corporation of the State of New York, acting by and through its Department of Business Services, having its offices at 110 William Street, New York, New York 10038 (the "City"), and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware, having an address at MD 5317, 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 ("American").

W I T N E S S E T H :

WHEREAS, the City has leased John F. Kennedy International Airport located in the County of Queens, State of New York (the "Airport" or "JFK") to The Port Authority of New York and New Jersey (the "Port Authority") pursuant to that certain Agreement with respect to Municipal Air Terminals, dated April 17, 1947, and thereafter amended and supplemented from time to time (said Agreement, as so amended and supplemented, or as amended or supplemented or replaced by an Applicable Airport Lease Extension Agreement (as defined in the American Lease (hereinafter defined)), being referred to herein as the "Port Authority Lease") (the City, or its successor-in-interest, including, without limitation, any tenant under a lease for the Airport, into which the City hereafter enters (but in any event excluding the Port Authority, its affiliates and their respective successors-in-interest) is hereinafter referred to as "Fee Owner");

WHEREAS, American is the lessee and operator of the air passenger terminal facility located on that certain site more fully described in the American Lease (as hereinafter defined) at JFK;

WHEREAS, American is engaged in the development, construction and operation of air passenger terminal facilities and wishes to substantially redevelop, renovate, expand and improve the existing air passenger terminal on the American Site (as hereinafter defined) and to construct additional improvements on the American Site and the Airport, all of which are more fully described in the American Lease (said redevelopment, renovation, expansion, improvement, construction and operation being the "Project");

WHEREAS, in furtherance of the foregoing, (a) American has entered into a certain agreement of lease with the Port Authority dated as of August 1, 1976, bearing Port Authority Lease No. AYB-085 (the "Lease AYB-085"), pursuant to which a certain portion of the American Site was demised to American (the "Lease AYB-085 Premises"), as more particularly described in Lease AYB-085 and shown on Exhibit 1.1 of the Amended and Restated Lease AYB-085R (as hereinafter defined); and (b) American has entered into a certain Amended and Restated Agreement of Lease with the Port Authority dated as of December 22, 2000, bearing Port Authority Lease No. AYB-085R (the "Amended and Restated Lease AYB-085R"), pursuant to which (i) the Port Authority continued to let the Lease AYB-085 Premises to American, less certain portions of the Lease AYB-085 Premises more particularly shown in crosshatching on Exhibit 1.1 to the Amended and Restated Lease AYB-085R (the "Surrendered Premises"), and (ii) the Port Authority demised to American certain additional land at the Airport more particularly shown in stippled-diagonal hatching on said Exhibit 1.1 (the "Additional Premises"), together with, inter alia, all improvements, buildings and structures which were erected thereon by American under Lease AYB-085 and certain Former Agreements (as defined in the Amended and Restated Lease AYB-085R) (the Lease AYB-085, as amended, supplemented and restated by the Amended and Restated Lease AYB-085R, and as further

amended and supplemented by a certain First Supplemental Agreement between the Port Authority and American dated as of July 31, 2002, being the "American Lease"; and the Lease AYB-085 Premises (less the Surrendered Premises) and the Additional Premises constituting and being, the "American Site"), such American Site being more particularly shown on the two maps which are each entitled, "Terminals 8 and 9 Lease Line Modification (American Airline)", each dated September 27, 1999, and each prepared by the Aviation Department and Project Management and Technical Services Division of the Port Authority (copies of which maps are attached hereto, collectively, as Schedule A);

WHEREAS, in furtherance of the Project, American has leased certain improvements on the American Site to the IDA (as hereinafter defined) pursuant to and as more fully provided in a Company Sublease Agreement between the IDA and American of even date herewith;

WHEREAS, the American Lease expires (the "Expiration Date") by its terms on December 30, 2015, but is subject to, provided there is an Airport Lease Extension Agreement (as defined in the American Lease), extension to a date which is the first to occur of (i) the day immediately prior to the date of expiration of the Applicable Airport Lease Extension Agreement and (ii) December 21, 2036 and (iii) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date (as defined in the American Lease);

WHEREAS, the American Lease is subject to earlier termination in the event that, inter alia, the Port Authority Lease is terminated prior to its stated expiration date;

WHEREAS, American is financing the development and construction of the Project in part through the issuance by the New York City Industrial Development Agency (the "IDA") of its Special Facility Revenue Bonds in a series of yet undetermined tranches, which

tranches in an aggregate principal amount shall not exceed two billion three hundred million dollars ($2,300,000,000) and the last stated maturity date of any such tranche shall not be after December 1, 2036 (said IDA Special Facility Revenue Bonds being hereinafter collectively referred to as the "Bonds"). All of the Bonds are being issued under and secured by a Master Indenture of Trust (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA and The Bank of New York, as Trustee (the "Trustee") (the "Indenture"), and the repayment of which is provided for by, inter alia, an IDA Lease Agreement (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA, as lessor, and American, as lessee;

WHEREAS, the City and American have entered into a certain Agreement Towards Entering Into A Lease (the "ATEIL") pursuant to which they have agreed in the circumstances and on the terms set forth therein to act in good faith to negotiate a New American Lease as defined therein; and

WHEREAS, American wishes to protect its interest in the American Site in the event of the termination (but not expiration) of the Port Authority Lease prior to the stated expiration date of the Port Authority Lease (the "Fixed Expiration Date") (it being understood that as of the date hereof, said Fixed Expiration Date is December 31, 2015), and prior to the Expiration Date.

NOW THEREFORE, in consideration of the mutual covenants contained below, the parties covenant and agree as follows:

1. Subject to the other provisions of this Agreement, in the event of a termination (but not expiration) of the Port Authority Lease prior to the Fixed Expiration Date thereof and prior to the Expiration Date, the American Lease shall thereafter continue in full

force and effect as a direct lease between American and Fee Owner, upon all the terms and conditions of the American Lease, and the American Lease shall not be deemed terminated for any purpose other than as regards the Port Authority, or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority (other than Fee Owner) (provided that at the time of such termination of the Port Authority Lease, unless waived by the City in its sole and absolute discretion, no default exists under the American Lease on the part of American and no event exists which would permit the Port Authority, as landlord thereunder, to terminate the American Lease or to exercise any dispossess remedy provided for therein or at law or in equity and provided, further, that American has possession of the American Site as tenant under the American Lease and no event has occurred which would permit the commencement of the exercise of the Reletting Rights (as defined in the American Lease) on notice or otherwise and no Approved Successor Lessee (as defined in the American Lease) has been appointed and no Triggering Event (as defined in the American Lease) has occurred), and Fee Owner agrees in which case to recognize the American Lease and the rights of American thereunder (including without limitation its rights to mortgage its leasehold as provided therein to secure repayment, or the guarantee of repayment, of the Bonds (a mortgage thus granted for such purpose being referred to herein as a "Mortgage")) and not to disturb the possession of American in and to the American Site, all in accordance with the terms and conditions of the American Lease as limited by this Agreement. Fee Owner agrees not to join American as a party defendant in any action or proceeding to terminate the Port Authority Lease or to recover possession of the American Site unless such joinder shall be required under applicable law, in which case such joinder shall not seek to disturb American's rights under this Agreement or American's possession of the American Site pursuant to this Agreement. Such recognition by Fee Owner shall be effective

and self-operative as of the date of termination of the Port Authority Lease without the execution of any further instrument. It is understood and agreed that for purposes of this Agreement, the Port Authority Lease shall not be deemed to have terminated, and no recognition or attornment shall take place, by reason of any termination of the Port Authority Lease simultaneously with a new lease, or agreement conferring a new lease, whereby the Port Authority continues as the lessee of the Airport without interruption or in the event of a Fee Transfer Date (as defined in the American Lease).

2. In the event of a termination of the Port Authority Lease as described in Section 1 hereof, then American shall attorn to Fee Owner and recognize Fee Owner as its landlord, and Fee Owner shall accept such attornment, and the American Lease shall continue as a direct lease between Fee Owner and American in accordance with its terms. Such attornment shall provide Fee Owner with all rights of the Port Authority under the American Lease, and American shall be obligated to Fee Owner to perform all of the obligations of American thereunder. In addition, American shall provide or cause to be provided to Fee Owner all the rights and protections afforded the Port Authority (when it was lessor under the American Lease) under the Leasehold Mortgage (as defined the American Lease) and under the Consent Agreement (as defined in the American Lease) (collectively, the "Mortgage and Consent Protections"). Such attornment by American and the Mortgage and Consent Protections shall be effective and self-operative as of the date of the termination of the Port Authority Lease as described in Section 1 hereof without the execution of any further instrument.

3. The other provisions of this Agreement notwithstanding, upon recognition and attornment by Fee Owner and American, respectively, as provided herein or otherwise, neither Fee Owner, nor anyone claiming by, through, or under Fee Owner shall be:

(i) liable for any act or omission of any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease except for acts or omissions which are then continuing and are subject to being cured by Fee Owner; or

(ii) subject to any counterclaims, offsets or defenses which American may have against the prior landlord (including, without limitation, the then defaulting landlord) under the American Lease; or

(iii) bound by any payment of rent or other charges payable under the American Lease which American might have paid for more than one month to any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease or to any other person; or

(iv) bound by any obligation to make any payment to American under the American Lease except with respect to (a) any amount payable from a fund, reserve, deposit, credit, receipt or other amount if actually held or received by Fee Owner for such purpose, or (b) any obligation which arises after attornment; or

(v) bound by any modification or amendment of the American Lease which reduces the rent payable under the American Lease or any other charges payable under the American Lease or shortens or lengthens the term thereof, or otherwise adversely affects the rights of the landlord thereunder or amends the Reletting Rights or similar rights afforded to any mortgagee, unless Fee Owner shall

have theretofore received a copy of the same and given its written consent thereto; or

(vi) liable for any underground storage tanks, asbestos or other hazardous or toxic substance present at the American Site; or

(vii) in the event of any condemnation, obligated to repair or restore the American Site or any part thereof; or

(viii) subject to any right of cancellation or termination which requires payment by the landlord thereunder of a charge, fee or penalty for such cancellation or termination, except if Fee Owner voluntarily exercises such right of cancellation or termination other than as a result of a casualty or condemnation; or

(ix) obligated to recognize, permit or be subject to, (A) any mortgage, lien, claim, encumbrance or security interest which is not a Qualified Mortgage (as hereinafter defined) or any rights or purported rights thereunder or (B) any Reletting Rights or similar type of rights other than by a Permitted Mortgagee (as hereinafter defined) in connection with a Qualified Mortgage held by such Permitted Mortgagee; or

(x) obligated to recognize any rights of American, or anyone claiming by, through or under American, (including without limitation, any mortgagee) after the first to occur of (A) the Fixed Expiration Date of the Port Authority Lease and (B) a Fee Transfer Date (as

defined in the American Lease) and (C) the Expiration Date, subject to earlier termination.

Upon the request of either American or Fee Owner, American or Fee Owner, as the case may be, shall promptly execute and deliver to the other an agreement or other instrument in recordable form which may be necessary or appropriate to evidence the recognition and attornment under this Agreement. In addition, upon the request of Fee Owner, American shall, and shall cause the IDA, AMR Corporation and The Bank of New York to, execute and deliver an agreement in recordable form necessary or appropriate to evidence the Mortgage and Consent Protections.

4. Notwithstanding anything set forth herein to the contrary, Fee Owner, if Fee Owner is the City or any of its agencies or instrumentalities, shall not be required to recognize American, or its otherwise permitted successor-in-interest, if any, as the direct tenant of Fee Owner under the American Lease if American or such otherwise permitted successor-in-interest, as the case may be, is a "Prohibited Person", as described in Exhibit A attached hereto.

5. It is hereby agreed, recognized and understood that in entering into this Agreement, Fee Owner is not in any manner whatsoever approving, recognizing or consenting or acquiescing to, any use, right to grant any use, occupancy, possession, right, claim, interest, tenancy or estate in or with respect to the Airport, or any portion thereof, including, without limitation, the American Site, by the Port Authority (or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority other than American) or which the Port Authority (or any such person or entity) may assert, with respect to any period of time beyond the termination of the Port Authority Lease, notwithstanding any term or provision of the American Lease to the contrary or otherwise.

6. Notwithstanding anything set forth herein to the contrary, Fee Owner shall have no liability for damages or restitution to American or any person or entity succeeding to the interests of American under the American Lease if Fee Owner is unable to deliver possession of the American Site, or is unable to perform its obligations under the American Lease, because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use or possess or refuses to surrender or vacate the Airport or any portion thereof, including without limitation the American Site, after the termination of the Port Authority Lease. The foregoing does not constitute Fee Owner's agreement that the Port Authority (or any such person or entity) has permission to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continue to use, or occupy or possess the Airport or any portion thereof, including, without limitation, the American Site, after the termination of the Port Authority Lease. American shall be obligated to pay to Fee Owner all rental and other charges and all impositions to the appropriate regulatory authority under the American Lease, notwithstanding any failure by Fee Owner to give possession of the American Site to American or to perform its obligations under the American Lease, and the obligations of American to pay any and all such rental and other charges to Fee Owner and all such impositions to the appropriate regulatory authority under the American Lease shall be independent of and not conditional upon Fee Owner's delivery of possession of the American Site to American or Fee Owner's performance of its obligations under the American Lease, if Fee Owner is unable to deliver such possession or perform such obligations because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues

to use, occupy or possess the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use, possess or occupy or refuses to surrender or vacate the Airport or any portion thereof, including without limitation, the American Site, after the termination of the Port Authority Lease.

7. This Agreement shall automatically terminate if Fee Owner has transferred fee title and ownership of the Airport, including the American Site, to the Port Authority, or any affiliate thereof, directly or indirectly, through one or more entities. This Agreement shall also automatically terminate upon the commencement of the New American Lease (as defined and provided for in the ATEIL). Additionally, this Agreement shall terminate at Fee Owner's option, upon written notice to American, upon any termination of the ATEIL for any other reason whatsoever, other than solely because of the entry into a New American Lease or an Extended Port Authority Lease (as defined in the ATEIL) with an expiration date which is on or after the Maximum American Lease Expiration Date (as defined in the ATEIL). Further, in the event this Agreement survives the termination of the ATEIL due solely to such entry into a New American Lease or Extended Port Authority Lease with an expiration date which is on or after the Maximum American Lease Expiration Date, this Agreement shall nevertheless terminate at the City's option upon notice to American if an event occurs thereafter which would have permitted termination of the ATEIL, or this Agreement, if the ATEIL were still in effect, or an event occurs permitting termination (or constituting a failure of a condition to the effectiveness) of the New American Lease. Upon any expiration or termination of this Agreement, all rights and obligations hereunder, shall terminate, and the City's right to dispose, convey, lease, assign or transfer the American Site or enter into any agreement to do so shall not

be restricted or limited by this Agreement or any agreement or instrument entered into pursuant to or to evidence the terms of this Agreement.

8. This Agreement shall inure to the benefit of Fee Owner, American and their respective permitted successors-in-interest and their permitted successors and assigns and shall be binding upon the successor-in-interest of the parties hereto and their permitted successors and assigns. Except as otherwise expressly provided in this Section, this Agreement shall not be assigned, transferred, pledged or otherwise encumbered by American without the written consent of the City, which consent shall be given or withheld in the City's sole and absolute discretion, provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of American which becomes tenant under the American Lease is or is to be a Scheduled Aircraft Operator (as hereinafter defined), and with or into which American has merged or consolidated, or which has succeeded to the assets of American or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft (as defined in the American Lease), and provided, further, that such succeeding entity or purchaser (whether it be American or any other entity or purchaser) satisfies the Financial Tests in Section 19 of the American Lease, and/or provides the Consent Security Deposit as required, and executes and delivers to the City an instrument in a form satisfactory to the City assuming the obligations of American as if it was the original party to this Agreement. The term "Scheduled Aircraft Operator" shall have the meaning ascribed to it in the American Lease, except that it shall be an additional requirement that such operator shall not be a Prohibited Person.

9. As used in this Agreement, the term "Qualified Mortgage" means a Mortgage which is an IDA Mortgage (as defined in the ATEIL) and (i) which by its terms does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of Fee Owner in the American Site or any property located therein or thereon, (ii) which includes a provision stating that "This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument this provision shall prevail", (iii) is held by a Permitted Mortgagee, and (iv) which is not subject to any rights of the Port Authority, and its successors and assigns (other than Fee Owner) and under or with respect to which the Port Authority, and its successors and assigns (other than Fee Owner), do not have any rights. A Permitted Mortgagee is defined as The Bank of New York or another trustee who is not a Prohibited Person (as described in Exhibit A hereto) who has been appointed pursuant to and in accordance with the Indenture and to whom the prior Permitted Mortgagee has assigned or transferred the Qualified Mortgage.

10. Nothing contained in this Agreement shall be deemed to operate as consent to any breach of the Port Authority Lease or any waiver of the City's rights and remedies pursuant to the Port Authority Lease.

11. No member, director, official, officer, agent or employee of any party hereto shall be charged personally or held contractually liable by or to the other party hereto under any term or provision of this Agreement, or of any other agreement, document or instrument executed in connection therewith, or of any supplement, modification, or amendment to this Agreement, or to such other agreement, document or instrument, or because of any breach or alleged breach of this Agreement, or such other agreement, document or instrument, or

because of its or their execution or attempted execution. This Section 11 shall survive the expiration or termination of this Agreement.

12. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original.

13. This Agreement shall be recorded in full by or through, or on behalf of, American, in the Register's Office of Queens County at the sole cost and expense of American. Without limiting the foregoing, American shall pay any and all transfer and document taxes and charges in connection with the execution of this Agreement. Fee Owner agrees to join in the execution of such forms as the be necessary in order to record this Agreement. Upon the expiration or earlier termination of this Agreement for any reason whatsoever, American covenants, upon demand by the City, to execute in recordable form an instrument (the "Release") prepared by the City in which American represents, stipulates and agrees that this Agreement is terminated and does not encumber or burden the American Site or any other premises affected by this Agreement. The City at its option may record the Release against the American Site or any other affected premises. American further covenants to execute and deliver such other instruments as may be necessary in order to record the Release against the American Site or such premises. If American fails to execute and deliver to the City such instrument in recordable form within ten (10) days after being furnished with same by the City, the City may execute same on behalf of American, and American hereby irrevocably and conclusively appoints the City as its attorney in fact to execute the Release, and such other instruments as may be necessary to record the Release, on behalf of American. American further agrees to provide such further assistance as may be necessary or convenient in order to effectuate the purposes of this Section 13. This Section 13 shall survive the expiration or termination of this Agreement.

14. It is expressly understood and agreed that the City (i) may transfer, sell, lease, assign, grant, dispose of or license any interest in, and/or make alternative arrangements for the operation and/or management of, all or any portion of JFK, including, without limitation, that portion of JFK which includes the American Site, provided, however, that if this Agreement has not terminated such transferee, vendee, lessee, assignee, grantee, licensee, manager or operator shall take its interest subject to this Agreement for the period of this Agreement, and (ii) may assign or delegate to another person or entity succeeding to the rights or interests of the City with respect to the American Site (a "Successor Entity"), without recourse, all or any of the rights and obligations of the City under this Agreement, provided, however, that if this Agreement has not terminated such Successor Entity shall take its interest subject to this Agreement for the period of this Agreement. Nothing contained in this Agreement shall be construed to limit the City's right to effect such transfer, sale, lease, assignment, grant, disposition or license of any interest in and/or alternative arrangement with regard to JFK, and American agrees to recognize the rights assigned and/or to accept performance of the obligations delegated by the City to any such Successor Entity. Furthermore, American recognizes that the City is under no obligation to continue to operate JFK, or cause JFK to be operated, as an airport.

15. Whenever in this Agreement it is provided herein that notice, demand, request, consent, approval or other communication shall or may be given to, or served upon, either of the parties by the other, or whenever either of the parties desires to give or serve upon the other any notice, demand, request, consent, approval or other communication with respect hereto or to the American Site, each such notice, demand, request, consent, approval or other communication shall be in writing and shall be effective for any purpose only if given or served as follows:

(i) If to American, by hand with proof of delivery or by mailing the same to American by express or certified mail, postage prepaid, return receipt requested, addressed to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5317
Forth Worth, Texas 76155
Attention: Vice-President, Corporate Real Estate

with a copy to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5618
Fort Worth, Texas 76155
Attention: General Counsel

or to such other address as American may from time to time designate by notice given to the City by express or certified mail, return receipt requested.

(ii) If to City (or Fee Owner), by hand with proof of delivery or by mailing the same to City by express or certified mail, postage prepaid, return receipt requested, one addressed to:

The City of New York
City Hall
New York, New York 10007
Attention: Deputy Mayor for Economic Development
and Rebuilding

and one to:

The City of New York Department of Business Services
110 William Street, Third Floor
New York, New York 10038
Attention: Commissioner

and one to:

New York City Economic Development Corporation
110 William Street

New York, New York 10038
Attention: General Counsel

with a copy to:

The New York City Law Department
100 Church Street
New York, New York 10007
Attention: Chief, Economic Development Division

or to such other address(es) and attorneys as City (or Fee Owner), may from time to time designate by notice given to American by express or certified mail, return receipt requested.

Every notice, demand, request, consent, approval or other communication hereunder shall be deemed to have been given or served three (3) days after the time that the same shall have been actually deposited in the United States mails, postage prepaid, as aforesaid, except that notice by express or certified mail, return receipt requested, shall be deemed effective on the date such receipt is dated by the Post Office or express mail carrier, as the case may be, and notice by hand shall be effective upon delivery, as evidenced by a signed receipt.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

THE CITY OF NEW YORK

APPROVED AS TO FORM:

By:_____
Name:
Title: Commissioner of the Department of Business Services

By:_____
Acting Corporation Counsel

AMERICAN AIRLINES, INC.

By:_____
Name:
Title:

STATE OF NEW YORK)
:SS.:
COUNTY OF NEW YORK)

On the _____ day of _____, in the year two thousand and two, before me, the undersigned, a Notary Public/Commissioner of Deeds in and for said State/The City of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual executed the instrument.

_____
Notary Public

STATE OF NEW YORK)
:SS.:
COUNTY OF NEW YORK)

On the _____ day of _____, in the year two thousand and two, before me, the undersigned, a Notary Public/Commissioner of Deeds in and for said State/The City of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual executed the instrument.

_____
Notary Public

EXHIBIT A

"Prohibited Person" shall mean:

(i) Any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the New York City Economic Development Corporation ("EDC"), or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or EDC, unless such default or breach has been waived in writing by the City or EDC, as the case may be.

(ii) Any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

(iii) Any government, or any Person that is directly or indirectly controlled (rather than only regulated) by a government, that is finally determined to be in violation of (including, but not limited to any participant in an international boycott in violation of) the Export Administration Act of 1979, as amended, of any successor statute, or the regulations issued pursuant thereto, or any government that is, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government that is subject to the regulations or controls thereof.

(iv) Any government, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government, the effects or the activities of which are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended.

(v) Any Person that is in default in the payment to the City of any real estate taxes, sewer rents or water charges totaling more than $10,000 (or any Person that directly controls, is controlled by, or is under common control with a Person in such default), unless such default is then being contested in good faith and with due diligence in accordance with the law.

(vi) Any Person (A) that has owned at any time in the preceding three (3) years any property which, while in the ownership of such Person, was acquired by the City by in rem tax foreclosure, other than a property in which the City has released or is in the process of releasing its interest to such Person pursuant to the Administrative Code of the City or (B) that, directly or indirectly, controls, is controlled by, or is under common control with such a Person.

The determination as to whether any Person is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or directly or indirectly controls, is controlled by, or is under common control with a Person that is an organized crime figure or is reputed too have substantial business or other affiliations with an organized crime figure shall be within the sole discretion of the City exercised reasonably and in good faith.

SCHEDULE A

Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

EXHIBIT F

See Documents #'s 2 & 3 of this Transcript

RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THE LAND AFFECTED by the within instrument lies in

BLOCK	14260
LOT	p/o 1
COUNTY	QUEENS

Record and Return to:

New York City Law Department
100 Church Street, Room 6-166
New York, New York 10007

Attn.: Betty C. Woo
(212) 788-0694

RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

This Recognition, Non-Disturbance and Attornment Agreement (this "Agreement"), dated as of the 31st day of July, 2002 between THE CITY OF NEW YORK, a municipal corporation of the State of New York, acting by and through its Department of Business Services, having its offices at 110 William Street, New York, New York 10038 (the "City"), and AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware, having an address at MD 5317, 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 ("American").

WITNESSETH:

WHEREAS, the City has leased John F. Kennedy International Airport located in the County of Queens, State of New York (the "Airport" or "JFK") to The Port Authority of New York and New Jersey (the "Port Authority") pursuant to that certain Agreement with respect to Municipal Air Terminals, dated April 17, 1947, and thereafter amended and supplemented from time to time (said Agreement, as so amended and supplemented, or as amended or supplemented or replaced by an Applicable Airport Lease Extension Agreement (as defined in the American Lease (hereinafter defined)), being referred to herein as the "Port Authority Lease") (the City, or its successor-in-interest, including, without limitation, any tenant under a lease for the Airport, into which the City hereafter enters (but in any event excluding the Port Authority, its affiliates and their respective successors-in-interest) is hereinafter referred to as "Fee Owner");

WHEREAS, American is the lessee and operator of the air passenger terminal facility located on that certain site more fully described in the American Lease (as hereinafter defined) at JFK;

WHEREAS, American is engaged in the development, construction and operation of air passenger terminal facilities and wishes to substantially redevelop, renovate, expand and improve the existing air passenger terminal on the American Site (as hereinafter defined) and to construct additional improvements on the American Site and the Airport, all of which are more fully described in the American Lease (said redevelopment, renovation, expansion, improvement, construction and operation being the "Project");

WHEREAS, in furtherance of the foregoing, (a) American has entered into a certain agreement of lease with the Port Authority dated as of August 1, 1976, bearing Port Authority Lease No. AYB-085 (the "Lease AYB-085"), pursuant to which a certain portion of the American Site was demised to American (the "Lease AYB-085 Premises"), as more particularly described in Lease AYB-085 and shown on Exhibit 1.1 of the Amended and Restated Lease AYB-085R (as hereinafter defined); and (b) American has entered into a certain Amended and Restated Agreement of Lease with the Port Authority dated as of December 22, 2000, bearing Port Authority Lease No. AYB-085R (the "Amended and Restated Lease AYB-085R"), pursuant to which (i) the Port Authority continued to let the Lease AYB-085 Premises to American, less certain portions of the Lease AYB-085 Premises more particularly shown in crosshatching on Exhibit 1.1 to the Amended and Restated Lease AYB-085R (the "Surrendered Premises"), and (ii) the Port Authority demised to American certain additional land at the Airport more particularly shown in stippled-diagonal hatching on said Exhibit 1.1 (the "Additional Premises"), together with, inter alia, all improvements, buildings and structures which were erected thereon by American under Lease AYB-085 and certain Former Agreements (as defined in the Amended and Restated Lease AYB-085R) (the Lease AYB-085, as amended, supplemented and restated by the Amended and Restated Lease AYB-085R, and as further

amended and supplemented by a certain First Supplemental Agreement between the Port Authority and American dated as of July 31, 2002, being the "American Lease"; and the Lease AYB-085 Premises (less the Surrendered Premises) and the Additional Premises constituting and being, the "American Site"), such American Site being more particularly shown on the two maps which are each entitled, "Terminals 8 and 9 Lease Line Modification (American Airline)", each dated September 27, 1999, and each prepared by the Aviation Department and Project Management and Technical Services Division of the Port Authority (copies of which maps are attached hereto, collectively, as Schedule A);

WHEREAS, in furtherance of the Project, American has leased certain improvements on the American Site to the IDA (as hereinafter defined) pursuant to and as more fully provided in a Company Sublease Agreement between the IDA and American of even date herewith;

WHEREAS, the American Lease expires (the "Expiration Date") by its terms on December 30, 2015, but is subject to, provided there is an Airport Lease Extension Agreement (as defined in the American Lease), extension to a date which is the first to occur of (i) the day immediately prior to the date of expiration of the Applicable Airport Lease Extension Agreement and (ii) December 21, 2036 and (iii) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date (as defined in the American Lease);

WHEREAS, the American Lease is subject to earlier termination in the event that, inter alia, the Port Authority Lease is terminated prior to its stated expiration date;

WHEREAS, American is financing the development and construction of the Project in part through the issuance by the New York City Industrial Development Agency (the "IDA") of its Special Facility Revenue Bonds in a series of yet undetermined tranches, which

tranches in an aggregate principal amount shall not exceed two billion three hundred million dollars ($2,300,000,000) and the last stated maturity date of any such tranche shall not be after December 1, 2036 (said IDA Special Facility Revenue Bonds being hereinafter collectively referred to as the "Bonds"). All of the Bonds are being issued under and secured by a Master Indenture of Trust (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA and The Bank of New York, as Trustee (the "Trustee") (the "Indenture"), and the repayment of which is provided for by, inter alia, an IDA Lease Agreement (as the same may be amended, modified, supplemented or restated from time to time) by and between the IDA, as lessor, and American, as lessee;

WHEREAS, the City and American have entered into a certain Agreement Towards Entering Into A Lease (the "ATEIL") pursuant to which they have agreed in the circumstances and on the terms set forth therein to act in good faith to negotiate a New American Lease as defined therein; and

WHEREAS, American wishes to protect its interest in the American Site in the event of the termination (but not expiration) of the Port Authority Lease prior to the stated expiration date of the Port Authority Lease (the "Fixed Expiration Date") (it being understood that as of the date hereof, said Fixed Expiration Date is December 31, 2015), and prior to the Expiration Date.

NOW THEREFORE, in consideration of the mutual covenants contained below, the parties covenant and agree as follows:

1. Subject to the other provisions of this Agreement, in the event of a termination (but not expiration) of the Port Authority Lease prior to the Fixed Expiration Date thereof and prior to the Expiration Date, the American Lease shall thereafter continue in full

force and effect as a direct lease between American and Fee Owner, upon all the terms and conditions of the American Lease, and the American Lease shall not be deemed terminated for any purpose other than as regards the Port Authority, or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority (other than Fee Owner) (provided that at the time of such termination of the Port Authority Lease, unless waived by the City in its sole and absolute discretion, no default exists under the American Lease on the part of American and no event exists which would permit the Port Authority, as landlord thereunder, to terminate the American Lease or to exercise any dispossess remedy provided for therein or at law or in equity and provided, further, that American has possession of the American Site as tenant under the American Lease and no event has occurred which would permit the commencement of the exercise of the Reletting Rights (as defined in the American Lease) on notice or otherwise and no Approved Successor Lessee (as defined in the American Lease) has been appointed and no Triggering Event (as defined in the American Lease) has occurred), and Fee Owner agrees in which case to recognize the American Lease and the rights of American thereunder (including without limitation its rights to mortgage its leasehold as provided therein to secure repayment, or the guarantee of repayment, of the Bonds (a mortgage thus granted for such purpose being referred to herein as a "Mortgage")) and not to disturb the possession of American in and to the American Site, all in accordance with the terms and conditions of the American Lease as limited by this Agreement. Fee Owner agrees not to join American as a party defendant in any action or proceeding to terminate the Port Authority Lease or to recover possession of the American Site unless such joinder shall be required under applicable law, in which case such joinder shall not seek to disturb American's rights under this Agreement or American's possession of the American Site pursuant to this Agreement. Such recognition by Fee Owner shall be effective

and self-operative as of the date of termination of the Port Authority Lease without the execution of any further instrument. It is understood and agreed that for purposes of this Agreement, the Port Authority Lease shall not be deemed to have terminated, and no recognition or attornment shall take place, by reason of any termination of the Port Authority Lease simultaneously with a new lease, or agreement conferring a new lease, whereby the Port Authority continues as the lessee of the Airport without interruption or in the event of a Fee Transfer Date (as defined in the American Lease).

2. In the event of a termination of the Port Authority Lease as described in Section 1 hereof, then American shall attorn to Fee Owner and recognize Fee Owner as its landlord, and Fee Owner shall accept such attornment, and the American Lease shall continue as a direct lease between Fee Owner and American in accordance with its terms. Such attornment shall provide Fee Owner with all rights of the Port Authority under the American Lease, and American shall be obligated to Fee Owner to perform all of the obligations of American thereunder. In addition, American shall provide or cause to be provided to Fee Owner all the rights and protections afforded the Port Authority (when it was lessor under the American Lease) under the Leasehold Mortgage (as defined the American Lease) and under the Consent Agreement (as defined in the American Lease) (collectively, the "Mortgage and Consent Protections"). Such attornment by American and the Mortgage and Consent Protections shall be effective and self-operative as of the date of the termination of the Port Authority Lease as described in Section 1 hereof without the execution of any further instrument.

3. The other provisions of this Agreement notwithstanding, upon recognition and attornment by Fee Owner and American, respectively, as provided herein or otherwise, neither Fee Owner, nor anyone claiming by, through, or under Fee Owner shall be:

(i) liable for any act or omission of any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease except for acts or omissions which are then continuing and are subject to being cured by Fee Owner; or

(ii) subject to any counterclaims, offsets or defenses which American may have against the prior landlord (including, without limitation, the then defaulting landlord) under the American Lease; or

(iii) bound by any payment of rent or other charges payable under the American Lease which American might have paid for more than one month to any prior landlord (including, without limitation, the then defaulting landlord) under the American Lease or to any other person; or

(iv) bound by any obligation to make any payment to American under the American Lease except with respect to (a) any amount payable from a fund, reserve, deposit, credit, receipt or other amount if actually held or received by Fee Owner for such purpose, or (b) any obligation which arises after attornment; or

(v) bound by any modification or amendment of the American Lease which reduces the rent payable under the American Lease or any other charges payable under the American Lease or shortens or lengthens the term thereof, or otherwise adversely affects the rights of the landlord thereunder or amends the Reletting Rights or similar rights afforded to any mortgagee, unless Fee Owner shall

have theretofore received a copy of the same and given its written consent thereto; or

(vi) liable for any underground storage tanks, asbestos or other hazardous or toxic substance present at the American Site; or

(vii) in the event of any condemnation, obligated to repair or restore the American Site or any part thereof; or

(viii) subject to any right of cancellation or termination which requires payment by the landlord thereunder of a charge, fee or penalty for such cancellation or termination, except if Fee Owner voluntarily exercises such right of cancellation or termination other than as a result of a casualty or condemnation; or

(ix) obligated to recognize, permit or be subject to, (A) any mortgage, lien, claim, encumbrance or security interest which is not a Qualified Mortgage (as hereinafter defined) or any rights or purported rights thereunder or (B) any Reletting Rights or similar type of rights other than by a Permitted Mortgagee (as hereinafter defined) in connection with a Qualified Mortgage held by such Permitted Mortgagee; or

(x) obligated to recognize any rights of American, or anyone claiming by, through or under American, (including without limitation, any mortgagee) after the first to occur of (A) the Fixed Expiration Date of the Port Authority Lease and (B) a Fee Transfer Date (as

defined in the American Lease) and (C) the Expiration Date, subject to earlier termination.

Upon the request of either American or Fee Owner, American or Fee Owner, as the case may be, shall promptly execute and deliver to the other an agreement or other instrument in recordable form which may be necessary or appropriate to evidence the recognition and attornment under this Agreement. In addition, upon the request of Fee Owner, American shall, and shall cause the IDA, AMR Corporation and The Bank of New York to, execute and deliver an agreement in recordable form necessary or appropriate to evidence the Mortgage and Consent Protections.

4. Notwithstanding anything set forth herein to the contrary, Fee Owner, if Fee Owner is the City or any of its agencies or instrumentalities, shall not be required to recognize American, or its otherwise permitted successor-in-interest, if any, as the direct tenant of Fee Owner under the American Lease if American or such otherwise permitted successor-in-interest, as the case may be, is a "Prohibited Person", as described in Exhibit A attached hereto.

5. It is hereby agreed, recognized and understood that in entering into this Agreement, Fee Owner is not in any manner whatsoever approving, recognizing or consenting or acquiescing to, any use, right to grant any use, occupancy, possession, right, claim, interest, tenancy or estate in or with respect to the Airport, or any portion thereof, including, without limitation, the American Site, by the Port Authority (or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority other than American) or which the Port Authority (or any such person or entity) may assert, with respect to any period of time beyond the termination of the Port Authority Lease, notwithstanding any term or provision of the American Lease to the contrary or otherwise.

6. Notwithstanding anything set forth herein to the contrary, Fee Owner shall have no liability for damages or restitution to American or any person or entity succeeding to the interests of American under the American Lease if Fee Owner is unable to deliver possession of the American Site, or is unable to perform its obligations under the American Lease, because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use or possess or refuses to surrender or vacate the Airport or any portion thereof, including without limitation the American Site, after the termination of the Port Authority Lease. The foregoing does not constitute Fee Owner's agreement that the Port Authority (or any such person or entity) has permission to use or occupy the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continue to use, or occupy or possess the Airport or any portion thereof, including, without limitation, the American Site, after the termination of the Port Authority Lease. American shall be obligated to pay to Fee Owner all rental and other charges and all impositions to the appropriate regulatory authority under the American Lease, notwithstanding any failure by Fee Owner to give possession of the American Site to American or to perform its obligations under the American Lease, and the obligations of American to pay any and all such rental and other charges to Fee Owner and all such impositions to the appropriate regulatory authority under the American Lease shall be independent of and not conditional upon Fee Owner's delivery of possession of the American Site to American or Fee Owner's performance of its obligations under the American Lease, if Fee Owner is unable to deliver such possession or perform such obligations because the Port Authority or any person or entity succeeding to the interest of or claiming by, through or under the Port Authority continues

to use, occupy or possess the American Site or any portion thereof after the termination of the Port Authority Lease or otherwise continues to use, possess or occupy or refuses to surrender or vacate the Airport or any portion thereof, including without limitation, the American Site, after the termination of the Port Authority Lease.

7. This Agreement shall automatically terminate if Fee Owner has transferred fee title and ownership of the Airport, including the American Site, to the Port Authority, or any affiliate thereof, directly or indirectly, through one or more entities. This Agreement shall also automatically terminate upon the commencement of the New American Lease (as defined and provided for in the ATEIL). Additionally, this Agreement shall terminate at Fee Owner's option, upon written notice to American, upon any termination of the ATEIL for any other reason whatsoever, other than solely because of the entry into a New American Lease or an Extended Port Authority Lease (as defined in the ATEIL) with an expiration date which is on or after the Maximum American Lease Expiration Date (as defined in the ATEIL). Further, in the event this Agreement survives the termination of the ATEIL due solely to such entry into a New American Lease or Extended Port Authority Lease with an expiration date which is on or after the Maximum American Lease Expiration Date, this Agreement shall nevertheless terminate at the City's option upon notice to American if an event occurs thereafter which would have permitted termination of the ATEIL, or this Agreement, if the ATEIL were still in effect, or an event occurs permitting termination (or constituting a failure of a condition to the effectiveness) of the New American Lease. Upon any expiration or termination of this Agreement, all rights and obligations hereunder, shall terminate, and the City's right to dispose, convey, lease, assign or transfer the American Site or enter into any agreement to do so shall not

be restricted or limited by this Agreement or any agreement or instrument entered into pursuant to or to evidence the terms of this Agreement.

8. This Agreement shall inure to the benefit of Fee Owner, American and their respective permitted successors-in-interest and their permitted successors and assigns and shall be binding upon the successor-in-interest of the parties hereto and their permitted successors and assigns. Except as otherwise expressly provided in this Section, this Agreement shall not be assigned, transferred, pledged or otherwise encumbered by American without the written consent of the City, which consent shall be given or withheld in the City's sole and absolute discretion, provided, however, that this Agreement may be assigned in its entirety without such consent to any successor in interest of American which becomes tenant under the American Lease is or is to be a Scheduled Aircraft Operator (as hereinafter defined), and with or into which American has merged or consolidated, or which has succeeded to the assets of American or the major portion of its assets related to its air transportation system, but in any such event, such assignment shall not take effect before the assignee is actually engaged in the business of scheduled transportation by Aircraft (as defined in the American Lease), and provided, further, that such succeeding entity or purchaser (whether it be American or any other entity or purchaser) satisfies the Financial Tests in Section 19 of the American Lease, and/or provides the Consent Security Deposit as required, and executes and delivers to the City an instrument in a form satisfactory to the City assuming the obligations of American as if it was the original party to this Agreement. The term "Scheduled Aircraft Operator" shall have the meaning ascribed to it in the American Lease, except that it shall be an additional requirement that such operator shall not be a Prohibited Person.

9. As used in this Agreement, the term "Qualified Mortgage" means a Mortgage which is an IDA Mortgage (as defined in the ATEIL) and (i) which by its terms does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of Fee Owner in the American Site or any property located therein or thereon, (ii) which includes a provision stating that "This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument this provision shall prevail", (iii) is held by a Permitted Mortgagee, and (iv) which is not subject to any rights of the Port Authority, and its successors and assigns (other than Fee Owner) and under or with respect to which the Port Authority, and its successors and assigns (other than Fee Owner), do not have any rights. A Permitted Mortgagee is defined as The Bank of New York or another trustee who is not a Prohibited Person (as described in Exhibit A hereto) who has been appointed pursuant to and in accordance with the Indenture and to whom the prior Permitted Mortgagee has assigned or transferred the Qualified Mortgage.

10. Nothing contained in this Agreement shall be deemed to operate as consent to any breach of the Port Authority Lease or any waiver of the City's rights and remedies pursuant to the Port Authority Lease.

11. No member, director, official, officer, agent or employee of any party hereto shall be charged personally or held contractually liable by or to the other party hereto under any term or provision of this Agreement, or of any other agreement, document or instrument executed in connection therewith, or of any supplement, modification, or amendment to this Agreement, or to such other agreement, document or instrument, or because of any breach or alleged breach of this Agreement, or such other agreement, document or instrument, or

because of its or their execution or attempted execution. This Section 11 shall survive the expiration or termination of this Agreement.

12. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original.

13. This Agreement shall be recorded in full by or through, or on behalf of, American, in the Register's Office of Queens County at the sole cost and expense of American. Without limiting the foregoing, American shall pay any and all transfer and document taxes and charges in connection with the execution of this Agreement. Fee Owner agrees to join in the execution of such forms as the be necessary in order to record this Agreement. Upon the expiration or earlier termination of this Agreement for any reason whatsoever, American covenants, upon demand by the City, to execute in recordable form an instrument (the "Release") prepared by the City in which American represents, stipulates and agrees that this Agreement is terminated and does not encumber or burden the American Site or any other premises affected by this Agreement. The City at its option may record the Release against the American Site or any other affected premises. American further covenants to execute and deliver such other instruments as may be necessary in order to record the Release against the American Site or such premises. If American fails to execute and deliver to the City such instrument in recordable form within ten (10) days after being furnished with same by the City, the City may execute same on behalf of American, and American hereby irrevocably and conclusively appoints the City as its attorney in fact to execute the Release, and such other instruments as may be necessary to record the Release, on behalf of American. American further agrees to provide such further assistance as may be necessary or convenient in order to effectuate the purposes of this Section 13. This Section 13 shall survive the expiration or termination of this Agreement.

14. It is expressly understood and agreed that the City (i) may transfer, sell, lease, assign, grant, dispose of or license any interest in, and/or make alternative arrangements for the operation and/or management of, all or any portion of JFK, including, without limitation, that portion of JFK which includes the American Site, provided, however, that if this Agreement has not terminated such transferee, vendee, lessee, assignee, grantee, licensee, manager or operator shall take its interest subject to this Agreement for the period of this Agreement, and (ii) may assign or delegate to another person or entity succeeding to the rights or interests of the City with respect to the American Site (a "Successor Entity"), without recourse, all or any of the rights and obligations of the City under this Agreement, provided, however, that if this Agreement has not terminated such Successor Entity shall take its interest subject to this Agreement for the period of this Agreement. Nothing contained in this Agreement shall be construed to limit the City's right to effect such transfer, sale, lease, assignment, grant, disposition or license of any interest in and/or alternative arrangement with regard to JFK, and American agrees to recognize the rights assigned and/or to accept performance of the obligations delegated by the City to any such Successor Entity. Furthermore, American recognizes that the City is under no obligation to continue to operate JFK, or cause JFK to be operated, as an airport.

15. Whenever in this Agreement it is provided herein that notice, demand, request, consent, approval or other communication shall or may be given to, or served upon, either of the parties by the other, or whenever either of the parties desires to give or serve upon the other any notice, demand, request, consent, approval or other communication with respect hereto or to the American Site, each such notice, demand, request, consent, approval or other communication shall be in writing and shall be effective for any purpose only if given or served as follows:

(i) If to American, by hand with proof of delivery or by mailing the same to American by express or certified mail, postage prepaid, return receipt requested, addressed to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5317
Forth Worth, Texas 76155
Attention: Vice-President, Corporate Real Estate

with a copy to:

American Airlines, Inc.
4333 Amon Carter Boulevard
MD 5618
Fort Worth, Texas 76155
Attention: General Counsel

or to such other address as American may from time to time designate by notice given to the City by express or certified mail, return receipt requested.

(ii) If to City (or Fee Owner), by hand with proof of delivery or by mailing the same to City by express or certified mail, postage prepaid, return receipt requested, one addressed to:

The City of New York
City Hall
New York, New York 10007
Attention: Deputy Mayor for Economic Development
and Rebuilding

and one to:

The City of New York Department of Business Services
110 William Street, Third Floor
New York, New York 10038
Attention: Commissioner

and one to:

New York City Economic Development Corporation
110 William Street
New York, New York 10038
Attention: General Counsel

with a copy to:

The New York City Law Department
100 Church Street
New York, New York 10007
Attention: Chief, Economic Development Division

or to such other address(es) and attorneys as City (or Fee Owner), may from time to time designate by notice given to American by express or certified mail, return receipt requested.

Every notice, demand, request, consent, approval or other communication hereunder shall be deemed to have been given or served three (3) days after the time that the same shall have been actually deposited in the United States mails, postage prepaid, as aforesaid, except that notice by express or certified mail, return receipt requested, shall be deemed effective on the date such receipt is dated by the Post Office or express mail carrier, as the case may be, and notice by hand shall be effective upon delivery, as evidenced by a signed receipt.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

APPROVED AS TO FORM:

By: _____
Acting Corporation Counsel

THE CITY OF NEW YORK

By: _____
Name: Robert Walsh
Title: Commissioner of the Department of Business Services

AMERICAN AIRLINES, INC.

By: Leslie M Benners
Name:
Title: Leslie M. Benners
Managing Director
Corporate Finance & Banking

STATE OF NEW YORK)
:SS.:
COUNTY OF NEW YORK)

On the 30 day of July, in the year two thousand and two, before me, the undersigned, a ~~Notary Public~~/Commissioner ~~of Deeds~~ in and for said State/The City of New York, personally appeared Robert Walsh, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual executed the instrument.

Betty C Woo
Notary Public

BETTY C. WOO
Notary Public, State of New York
No. 4990740
Qualified in Kings County
Commission Expires January 13, 2005

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 31st day of July, in the year two thousand and two, before me, the undersigned, personally appeared Leslie M. Benners, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

EXHIBIT A

"Prohibited Person" shall mean:

(i) Any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or the New York City Economic Development Corporation ("EDC"), or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with the City or EDC, unless such default or breach has been waived in writing by the City or EDC, as the case may be.

(ii) Any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than any felony conviction of AMR Corporation (American's parent corporation) arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-Highsmith) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

(iii) Any government, or any Person that is directly or indirectly controlled (rather than only regulated) by a government, that is finally determined to be in violation of (including, but not limited to any participant in an international boycott in violation of) the Export Administration Act of 1979, as amended, of any successor statute, or the regulations issued pursuant thereto, or any government that is, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government that is subject to the regulations or controls thereof.

(iv) Any government, or any Person that, directly or indirectly, is controlled (rather than only regulated) by a government, the effects or the activities of which are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended.

(v) Any Person that is in default in the payment to the City of any real estate taxes, sewer rents or water charges totaling more than $10,000 (or any Person that directly controls, is controlled by, or is under common control with a Person in such default), unless such default is then being contested in good faith and with due diligence in accordance with the law.

(vi) Any Person (A) that has owned at any time in the preceding three (3) years any property which, while in the ownership of such Person, was acquired by the City by in rem tax foreclosure, other than a property in which the City has released or is in the process of releasing its interest to such Person pursuant to the Administrative Code of the City or (B) that, directly or indirectly, controls, is controlled by, or is under common control with such a Person.

The determination as to whether any Person is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or directly or indirectly controls, is controlled by, or is under common control with a Person that is an organized crime figure or is reputed too have substantial business or other affiliations with an organized crime figure shall be within the sole discretion of the City exercised reasonably and in good faith.

SCHEDULE A

Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

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Exhibit J – Form of Leasehold Mortgage Opinion of Counsel
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Exhibit N – Form of IDA Sublease Amendments
Exhibit O – Successor Trustee Certificate of Assumption and Agreement
Exhibit P – Form of Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee
Exhibit Q – Form of Additional Lessee Covenant Certificate

THIS AGREEMENT SHALL NOT BE BINDING UPON THE PORT AUTHORITY UNTIL DULY EXECUTED BY AN EXECUTIVE OFFICER THEREOF AND DELIVERED TO THE LESSEE, THE IDA AND THE TRUSTEE BY THE PORT AUTHORITY

AGREEMENT NO. AYB-085R

CONSENT TO SUBLEASES AND LEASEHOLD MORTGAGE AGREEMENT

THIS CONSENT AGREEMENT, dated as of July 31, 2002, by and among THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the **"Port Authority"**), a body corporate and politic created by Compact between the States of New York and New Jersey, with the consent of the Congress of the United States of America, having an office for the transaction of business at 225 Park Avenue South, New York, New York 10003 in the Borough of Manhattan, City, County and State of New York, AMERICAN AIRLINES, INC. (the **"Lessee"**), a corporation organized and existing under the laws of the State of Delaware, having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, AMR CORPORATION (**"AMR"**), the parent corporation of the Lessee and a corporation duly organized and existing under the laws of the State of Delaware and having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the **"IDA"**), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York, having its principal office at 110 William Street, New York, New York 10038, and THE BANK OF NEW YORK, a New York banking corporation, as Trustee (as such term is defined in Section 1.1 of this Consent Agreement), with an office for the transaction of business at 101 Barclay Street, New York, New York 10286

WITNESSETH, That:

A. WHEREAS, the Port Authority leased to the Lessee, and the Lessee hired and took from the Port Authority, certain premises at John F. Kennedy International Airport (the **"Airport"**), as described in a certain agreement of lease, as amended, supplemented and modified, bearing Port Authority Lease No. AYB-085, made as of August 1, 1976, which agreement was further amended, supplemented and modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December, 2000, bearing Port Authority Lease No. AYB-085R (such agreement of lease, as so supplemented, amended, modified and restated, and as simultaneously herewith being amended, modified and supplemented by Supplement No. 1 (as defined in Section 1.1 of this Consent Agreement) and as may hereafter be further supplemented, modified and amended, the **"Lease"**); and

B. WHEREAS, in connection with the issuance of bonds by the IDA for the financing of the Redevelopment Work (as such term is defined in Section 1.1 of this Consent Agreement), the Lessee has requested the consent of the Port Authority to (i) a sublease agreement with the Lessee as sublessor and the IDA as sublessee dated as of July 1, 2002 (the **"Company Sublease"**), a copy of which is attached hereto as *Exhibit A* and hereby made a part hereof and (ii) a sub-sublease agreement with the IDA as sub-sublessor and the Lessee as sub-sublessee dated as of July 1, 2002 (the **"IDA Sublease"**), a copy of which is attached hereto as *Exhibit B* and hereby made a part hereof; and

C. WHEREAS, in connection with the financing of the costs of the Redevelopment Work (as defined in Section 1.1 of this Consent Agreement), the IDA and the Trustee will, contemporaneously with the execution of this Consent Agreement, enter into a Master Indenture of Trust dated as of July 1,

2002 (the **"Master Indenture"**), a copy of which is attached hereto as *Exhibit C* and hereby made a part hereof; and

D. WHEREAS, pursuant to the Master Indenture, in connection with the issuance of the Series 2002 Bonds (as such term is defined in Section 1.1 of this Consent Agreement), the IDA and the Trustee will, contemporaneously with the execution of this Consent Agreement, enter into supplemental Indentures of Trust for each series of the Series 2002 Bonds, each dated as of July 1, 2002 (collectively, the **"2002 Supplemental Indentures"**), copies of which are attached hereto as *Exhibit D* and hereby made a part hereof; and

E. WHEREAS, both the IDA Sublease and the Master Indenture contemplate that IDA Sublease Amendments (as defined in Section 1.1 of this Consent Agreement), to amend the IDA Sublease (as theretofore amended and supplemented), and Additional Supplemental Indentures (as defined in Section 1.1 of this Consent Agreement), to supplement the Master Indenture (as theretofore amended and supplemented), will be executed and delivered in connection with the issuance of Additional Bonds (as defined in Section 1.1 of this Consent Agreement); and

F. WHEREAS, in order to secure the payment of the Bonds (as defined in Section 1.1 of this Consent Agreement), the Lessee and the Trustee will, contemporaneously with the execution of this Consent Agreement, enter into a guaranty dated as of July 1, 2002 (the **"American Airlines Guaranty"**), a copy of which is attached hereto as *Exhibit E* and hereby made a part hereof, and in order to further secure the payment of the Bonds, AMR and the Trustee will, contemporaneously with the execution of this Consent Agreement, enter into a guaranty dated as of July 1, 2002 (the **"AMR Guaranty"**), a copy of which is attached hereto as *Exhibit F* and hereby made a part hereof (the American Airlines Guaranty and AMR Guaranty, collectively, the **"Guaranties"**); and

G. WHEREAS, in order to secure the obligation of (i) American Airlines, Inc. (including its permitted successors as Guarantor pursuant to and under the American Airlines Guaranty, provided that each such permitted successor is then the Lessee under the Lease) under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR Corporation (including its permitted successors as Guarantor pursuant to and under the AMR Guaranty) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds, American Airlines, Inc. has requested the consent of the Port Authority to its grant of a mortgage on its leasehold interest under the Lease to the Leasehold Mortgagee (as defined in Section 1.1 of this Consent Agreement), on the terms and conditions set forth in Section 92 (as defined in Section 1.1 of this Consent Agreement).

NOW, THEREFORE, for and in consideration of the covenants and mutual agreements herein contained, the Port Authority, the Lessee, AMR, the IDA and the Trustee hereby agree, effective as of the Effective Date, as follows:

ARTICLE I. DEFINITIONS.

1.1. *Definitions.*

Unless otherwise indicated or unless the context otherwise requires, the following capitalized terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the defined terms):

"Act" shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24, of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

"Additional Bond Resolutions" shall mean any resolutions adopted by the IDA in connection with the issuance and sale of Additional Bonds.

"Additional Bonds" shall mean all series of bonds that are issued by the IDA subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of this Consent Agreement, pursuant to the Subleases and the Indenture, to finance the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest).

"Additional Bonds Covenant Certificate" shall mean the certificate a form of which is attached hereto as *Exhibit K* and hereby made a part hereof.

"Additional Documents" shall mean Additional Bonds, Additional Supplemental Indentures and IDA Sublease Amendments.

"Additional Lessee Covenant Certificate" shall mean the certificate a form of which is attached hereto as *Exhibit Q* and hereby made a part hereof.

"Additional Minor Modification Documents" shall mean such documents accomplishing the changes to the Financing Documents (excluding the Leasehold Mortgage, the City Agreements and the Guaranties) with respect to Financial Terms as specified in and in accordance with Section 6.2 (b) of this Consent Agreement and made or not made in connection with the issuance of the Bonds or Additional Bonds.

"Additional Supplemental Indentures" shall mean such indentures supplemental or amendatory to the Master Indenture, which are executed subsequent to the execution of the 2002 Supplemental Indentures in accordance with the terms and conditions of Section 6.2 of this Consent Agreement.

"Airport" shall have the meaning given to such term in "Whereas" paragraph A of this Consent Agreement.

"American Airlines Guaranty" shall have the meaning given to such term in "Whereas" paragraph F of this Consent Agreement.

"American-City Agreement" shall have the meaning given to such term in Section 3 of the Lease.

"AMR" shall have the meaning given to such term in the first paragraph on page 1 of this Consent Agreement.

"AMR Guaranty" shall have the meaning given to such term in "Whereas" paragraph F of this Consent Agreement.

"Approved Successor Lessee" shall have the meaning given to such term in Section 92.

"Basic Lease" shall have the meaning given to such term in the Lease.

"Bonds" shall mean, collectively, the Series 2002 Bonds and Additional Bonds; *provided, however*, that the principal amount of Bonds issued under the Indenture and secured by the Leasehold Mortgage shall be limited to a maximum amount of determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents.

"Bond Purchase Agreements" shall mean, for the Series 2002 Bonds, the bond purchase agreement dated July 25, 2002 by and among the Series 2002 Underwriters, the IDA, AMR and the Lessee, and for Additional Bonds shall mean the agreements by and among the IDA, the Lessee and the financial institution(s) selected by the Lessee (and reasonably acceptable to the IDA) to purchase Additional Bonds upon original issuance.

"Bond Resolutions" shall mean, collectively, (i) the resolution adopted by the IDA on December 9, 1999, (ii) the resolution adopted by the IDA on October 23, 2001, as amended November 13, 2001, copies of which are attached hereto as *Exhibit H* and hereby made a part hereof, and (iii) any Additional Bond Resolutions.

"Bondholder" and **"Bondholders"** shall mean, respectively, (i) each holder of a Bond or Bonds and (ii) all holders of all the Bonds.

"City" shall mean the City of New York.

"City Agreements" shall have the meaning given to such term in Section 3 of the Lease.

"Consent Agreement" shall mean this Consent to Subleases and Leasehold Mortgage Agreement by and among the Port Authority, the Lessee, AMR, the Trustee, and the IDA, including all exhibits attached hereto and made a part hereof, as the same may hereafter be amended, modified or supplemented.

"Credit Facility" shall mean an irrevocable letter of credit, a loan agreement, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit or other similar agreement or agreements, or any other agreements or arrangement used to provide liquidity and/or credit support for a particular series of Bonds; *provided, however*, that this term shall not be deemed to include the Leasehold Mortgage or the Guaranties.

"Credit Facility Provider" shall mean the issuer of a Credit Facility selected by the Lessee pursuant to the Indenture.

"Credit Facility Provider Certificate of Assumption and Agreement" shall mean the certificate a form of which is attached hereto as *Exhibit I* of this Consent Agreement and hereby made a part hereof.

"Deferred Reletting Fee" shall have the meaning given to such term in Section 92.

"Effective Date" shall mean July 31, 2002.

"Facility" shall mean the Leased Facilities and the Facility Equipment as such terms are defined in Appendix A (Summary of Definitions) of the IDA Sublease.

"Fee Owner" shall have the meaning given to such term in the RNDA.

"Final Lease Extension Date" shall have the meaning given to such term in the Lease.

"Financial Parties" shall mean each Bondholder (by the purchase or transfer and acceptance of a Bond), the Trustee, each Guarantor, the Credit Facility Provider, if any, and the IDA.

"Financial Terms" shall mean, with respect to any of the Bonds, terms and provisions with respect to: (i) the date or dates as of which such Bonds shall be dated, (ii) subject to the Required Amortization, the maturity schedule, (iii) optional redemptions, (iv) redemption, tender, retirement, call and sinking fund provisions, (v) denominations, registration and exchange, (vi) payment of principal and interest, (vii) notices of redemption, (viii) legality for investment and eligibility for deposit, (ix) tender agents, remarketing agents, registrars and paying agents, (x) bond counsel, (xi) underwriters, (xii) delivery, (xiii) interest, (xiv) tax exemption requirements for private activity bonds under the Internal Revenue Code and applicable regulations (xv) terms and provisions relating to a Credit Facility and the Credit Facility Provider thereof, (xvi) terms and provisions relating investment of bond proceeds and (xvii) covenants of the Lessee required in the opinion of the underwriters (which opinion shall be set forth in a letter from the underwriters to the Port Authority) to effectuate the marketability of the Bonds; *provided, however*, that no such Lessee covenants shall affect the Lease, this Consent Agreement or the Leasehold Mortgage, and *provided, further, however*, that Financial Terms shall not mean with respect to Additional Bonds (x) terms and provisions relating to mandatory redemption upon expiration of the Lease and (y) terms and provisions relating to mandatory tender on the Final Lease Extension Date.

"Financing Documents" shall mean the Subleases, the Indenture, the Bond Resolutions, the Bonds, the Leasehold Mortgage, the City Agreements, the Equipment Security Agreement and the Guaranties; *provided, however*, that the term "Financing Documents" shall not mean the Basic Lease, the Lease or this Consent Agreement.

"Financing Transaction" shall mean the issuance of the Bonds for the financing of the costs of the Redevelopment Work (including all reserves, costs of issuance and capitalized interest) and all the transactions documented by the Financing Documents that support and facilitate such issuance.

"Foreclosure Period" shall have the meaning given to such term in Section 92.

"Foreclosure Period Extension Fee" shall have the meaning given to such term in Section 92.

"Forms of Additional Documents" shall mean the Form of Additional Bonds, attached hereto as *Exhibit L* and hereby made a part hereof, the Form of Additional Supplemental Indentures, attached hereto as *Exhibit M* and hereby made a part hereof, and the Form of IDA Sublease Amendments, attached hereto as *Exhibit N* and hereby made a part hereof.

"Guaranties" shall have the meaning given to such term in "Whereas" paragraph F of this Consent Agreement.

"Guarantors" shall mean American Airlines Inc., and its permitted successors and assigns, under the Guaranty and AMR Corporation, and its permitted successors and assigns under the Guaranty.

"IDA" shall have the meaning given to such term in the introductory paragraph of this Consent Agreement.

"IDA Sublease" shall have the meaning given to such term in "Whereas" paragraph B of this Consent Agreement.

"IDA Sublease Amendments" shall mean such written amendments to the IDA Sublease, which are executed subsequent to the execution of the IDA Sublease in accordance with the terms and conditions of Section 6.2 of this Consent Agreement.

"Indenture" shall mean the Master Indenture as amended, modified or supplemented by the 2002 Supplemental Indentures and all Additional Supplemental Indentures.

"Lease" shall have the meaning given to such term in "Whereas" paragraph A of this Consent Agreement.

"Lease Assignment/Assumption Commencement Date" shall have the meaning given to such term in Section 92.

"Leasehold Mortgage" shall mean the Leasehold Mortgage and Security Agreement, a form of which is attached hereto as *Exhibit G* and hereby made a part hereof.

"Leasehold Mortgage Opinion of Counsel" shall mean the opinion given by Lessee's counsel with respect to the Leasehold Mortgage, the form of which is attached hereto as *Exhibit J* of this Consent Agreement and hereby made a part hereof.

"Leasehold Mortgagee" shall mean the Trustee (including any co-trustee under the Indenture) acting in its capacity as "Leasehold Mortgagee" under the Leasehold Mortgage.

"Leasehold Mortgagee's Foreclosure Period Obligations" shall have the meaning given to such term in Section 92.

"Leasehold Mortgagee's Foreclosure Period Payments" shall have the meaning given to such term in Section 92.

"Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees" shall have the meaning given to such term in Section 92.

"Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees" shall have the meaning given to such term in Section 92.

"Lessee" shall have the meaning given to such term in the introductory paragraph of this Consent Agreement.

"Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee" shall have the meaning given to such term in paragraph (a) of Section 92 the form of which is attached hereto as *Exhibit P*.

"Master Indenture" shall have the meaning given to such term in "Whereas" paragraph C of this Consent Agreement.

"Mortgaged Premises" shall have the meaning given to such term in Section 92.

"Official Statement" shall mean any official statement or offering memorandum distributed in connection with the sale of a series of Bonds upon original issuance thereof.

"Outstanding" shall have the meaning given to such term in the Indenture.

"Port Authority" shall have the meaning given to such term in the introductory paragraph of this Consent Agreement.

"Preliminary Official Statement" shall mean any preliminary official statement or offering memorandum distributed in connection with the sale of a series of Bonds upon original issuance thereof.

"Premises" shall have the meaning given to such term in the Lease.

"Redevelopment Work" shall have the meaning given to such term in Section 2B(b)(1) of the Lease.

"Redevelopment Work Completion Date" shall have the meaning given to such term in Section 2B(n)(2) of the Lease.

"Reletting Election Notice" shall have the meaning given to such term in Section 92.

"Reletting Election Period" shall have the meaning given to such term in Section 92.

"Reletting Rights" shall have the meaning given to such term in Section 92.

"Reletting Rights Effective Date" shall have the meaning given to such term in Section 92.

"Reletting Rights Effective Date Certificate" shall have the meaning given to such term in Section 92.

"Required Amortization" shall mean, with respect to a series of Bonds, that (i) principal payments of such series shall commence no later than August 1, 2016, (ii) principal payments are made at least yearly thereafter until maturity and (iii) from the point when principal payments begin with respect to a series of Bonds such principal payments result in debt service that is relatively level.

"RNDA" shall have the meaning given to such term in Section 3 of the Lease.

"RNDA Effective Date" shall have the meaning given to such term in Section 92.

"Section 19" shall mean Section 19 of the Lease.

"Section 19 Assignee" shall have the meaning given to such term in Section 92 of the Lease.

"Section 19 Assignee Issuer" shall mean an issuer of government obligations to whom the IDA may assign its rights and interests and delegate its duties under the Subleases, the Indenture and the Bonds; *provided, however*, that such issuer must accept the delegation of duties under the Subleases, the Indenture and the Bonds, and be subrogated as the obligor to the Bondholders.

"Section 92" shall mean Section 92 of the Lease.

"Series 2002 Bonds" shall mean, collectively, the $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the IDA issued, executed, authenticated and delivered under the Master Indenture, as amended and supplemented by the 2002 Supplemental Indentures.

"Series 2002 Underwriters" shall mean the underwriting syndicate formed by Salomon Smith Barney Inc. as representative of the said underwriting syndicate for the purchase upon original issuance of the Series 2002 Bonds.

"Subleases" shall mean, collectively, the Company Sublease, IDA Sublease and all IDA Sublease Amendments.

"Successor Trustee" shall mean a successor to the Trustee selected and appointed in accordance with the Section 6.4 of this Consent Agreement.

"Successor Trustee Certificate of Assumption and Agreement" shall mean the certificate a form of which is attached hereto as *Exhibit O* and hereby made a part hereof.

"Supplement No. 1" shall mean Supplemental Lease Agreement No. 1 between the Lessee and the Port Authority, dated as of July 31, 2002, including all exhibits attached thereto and made a part thereof, as it may hereafter be amended, modified and supplemented.

"Tax Certificate" shall mean, with respect to a series of Bonds, any Tax Certificate As To Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such series of Bonds, and shall include any and all amendments thereof and supplements thereto.

"Trustee" shall mean The Bank of New York, or any Successor Trustee under the Indenture.

"Wrongful Recording of the Leasehold Mortgage" shall have the meaning given to such term in Section 92.

"2002 Supplemental Indentures" shall have the meaning given to such term in "Whereas" paragraph D of this Consent Agreement.

ARTICLE II. GENERAL TERMS AND CONDITIONS OF PORT AUTHORITY CONSENT.

2.1. *Limited Consent.* On and subject to the terms and conditions set forth in the Lease, including without limitation Section 92, and this Consent Agreement, the Port Authority consents to (i) the Subleases and (ii) the Leasehold Mortgage.

2.2. *No Consent to Abandonment.* Any provision of any of the Financing Documents to the contrary notwithstanding, the Lessee and each of the Financial Parties hereby expressly agrees and acknowledges that no consent is hereby given to the abandonment of the Redevelopment Work.

2.3. *No Consent to Pledge or Assignment of Possessory Rights.* Any provision of any of the Financing Documents to the contrary notwithstanding, the Lessee and each of the Financial Parties hereby expressly agrees and acknowledges that no consent is hereby given to any pledge or assignment of any

possessory rights or interests in the Premises to the Trustee, except under the Leasehold Mortgage to the extent provided in Section 92.

2.4. *No Consent to Matters Not Addressed By This Consent Agreement.* No consent or comment, or failure to consent, object or comment, by the Port Authority, with respect to the Financing Transaction and the Financing Documents, or any of them, nor the specific mention of or reference to the Port Authority in any part of the Financing Documents, including without limitation any mention of any consent or approval of the Port Authority now or hereafter to be obtained, nor this Consent Agreement, shall be or be deemed to create an inference that the Port Authority has granted or would grant its consent or approval to any matters not specifically covered by this Consent Agreement but referred to in the Financing Documents that under the Lease or this Consent Agreement require the further consent or approval of the Port Authority, or that the Port Authority shall hereafter grant its consent or approval thereto or that the Port Authority's discretion as to granting any such consents or approvals shall in any way be affected or impaired. The lack of any specific reference in any provision of any Financing Document to Port Authority approval or consent shall not be deemed to imply that no approval or consent of the Port Authority is required. The Lease and this Consent Agreement shall in all respects be controlling, effective and determinative as to when the consent of the Port Authority is required under the Lease or this Consent Agreement.

2.5. *No Waiver of Port Authority Right to Consent in the Future.* Except as specifically provided in Sections 6.2 and 6.3 of this Consent Agreement, the granting of the consent under this Consent Agreement by the Port Authority shall not be or be deemed to operate as a waiver of the rights of the Port Authority, or as constituting the Port Authority's consent, with respect to any subsequent subleasing by the Lessee or any of the Financial Parties, or with respect to any present or subsequent assignment of the Lease or any rights thereunder, whether in whole or in part, or with respect to any subsequent mortgaging or pledging of the Premises or the Lease, or with respect to any subsequent assignment of the Subleases or any rights thereunder; *provided, however*, that nothing in this Section 2.5 shall in any way impair or limit the rights of the Leasehold Mortgagee under Section 92 or, subject to Section 92 and this Consent Agreement, the granting of the Leasehold Mortgage in accordance with Section 92 and this Consent Agreement, or subject to Section 92, its rights against the Lessee under the Leasehold Mortgage.

2.6. *Future Subleasing by Lessee.* It is hereby understood and agreed that any future subleasing of the Premises, whether in whole or in part, by the Lessee, which purports to convey a possessory interest in the Premises shall be a sublease under the Lease and not a sublease under the Subleases, or any of them, and shall in no way be deemed to be subject to the Subleases, or any of them.

2.7. *No Filing With Respect to Subleases.* The parties hereto agree that none of them shall record or make a filing under or with respect to the Subleases or any of them or any rights thereunder without the prior written consent of all parties hereto. The parties hereto hereby consent to the filing of financing statements (and related continuation statements) with respect to the security interest of the Trustee created under the Granting Clauses of the Indenture and the Equipment Security Agreement (as defined in the Indenture).

2.8. *No Consent to Breach of Basic Lease.* The granting of the consent under this Consent Agreement by the Port Authority shall not be deemed to operate as a consent to any breach of the Basic Lease or any waiver of any of the Port Authority's rights and remedies under and pursuant to the Basic Lease.

ARTICLE III. RELATIONSHIP AMONG THE LEASE, THE CONSENT AGREEMENT AND THE FINANCING DOCUMENTS.

3.1. *Provisions of Subleases and Leasehold Mortgage Not Applicable to Port Authority.*

(a) The Lessee and each of the Financial Parties hereby expressly acknowledge that the Subleases and the Leasehold Mortgage are agreements between the Lessee and, respectively, the IDA and the Leasehold Mortgagee, with respect to the various matters set forth therein, and neither this Consent Agreement nor anything contained herein nor the consent granted hereunder shall constitute an agreement among or between the Port Authority, any of the Financial Parties and/or the Lessee that the provisions of the Subleases or the Leasehold Mortgage shall apply and pertain as between the Lessee and the Port Authority.

(b) No provisions of the Subleases or the Leasehold Mortgage imposing obligations on the IDA or the Lessee with respect to laws, ordinances, statutes, orders, taxes, assessments or liens shall be construed as a submission or admission by the Port Authority that the same could or does lawfully apply to the Port Authority.

3.2. *Financing Documents Subject to Provisions of Basic Lease, Lease and Consent Agreement.*

(a) The Financing Documents, the Financing Transaction and the rights of the Lessee and the Financial Parties pursuant thereto are expressly and in all respects subject to, controlled by and dependent upon: (i) all of the terms, covenants, conditions and provisions of the Lease, this Consent Agreement and the Basic Lease and (ii) the rights, powers, duties, privileges, obligations, remedies and liabilities of the Port Authority under the Lease, this Consent Agreement and the Basic Lease, including, without limitation, the rights of the Port Authority, as lessor under the Lease and as operator of the Airport, to, subject to and in accordance with Section 92, terminate the Lease in accordance with the terms thereof, to re-enter, regain or resume possession of the Premises, and to purchase the Leasehold Mortgage in accordance with Section 92.

(b) As between the Port Authority, on the one hand, and the Lessee and the Financial Parties on the other, the terms, provisions, covenants and conditions of the Lease, this Consent Agreement and the Basic Lease, and the rights, powers, duties, privileges, obligations, remedies and liabilities of the Port Authority as the operator of the Airport shall, with respect to the use and possession of the Premises and all other matters covered under the Lease, this Consent Agreement and the Basic Lease, be controlling, effective and determinative.

(c) Without limiting the generality of the foregoing provisions, the terms, covenants, conditions and provisions of the Lease, this Consent Agreement and the Basic Lease shall govern as between the Port Authority, on the one hand, and the Lessee and the Financial Parties, on the other hand, and in the event that any of such terms, provisions, covenants and conditions of the Lease, this Consent Agreement or the Basic Lease shall be contrary to, or conflict or be inconsistent with, the terms, provisions, covenants and conditions of the Financing Documents, or any of them, the terms, provisions, covenants and conditions of the Lease, this Consent Agreement and the Basic Lease shall be controlling, effective and determinative.

(d) Nothing in this Section 3.2 shall be deemed to alter (i) the terms of the Leasehold Mortgage, (ii) Section 92 or (iii) the rights and obligations among the Lessee and the Financial Parties under the Financing Documents.

3.3. *No Change in Rights and Powers under the Lease.* Notwithstanding any of the terms and conditions of the Financing Documents to the contrary, neither this Consent Agreement nor anything contained herein nor the consent granted hereunder, nor the Financing Documents nor any of them nor anything contained therein, nor the Financing Transaction, shall constitute or be deemed to constitute a consent by the Port Authority to, nor shall they create an inference or implication that there has been a consent by the Port Authority to, any enlargement, variation, impairment, diminution or change in the rights, powers, duties, liabilities, obligations and privileges of the Lessee under the Lease, nor consent by the Port Authority to any diminution, impairment, change or variation in the rights, powers, privileges and remedies of the Port Authority under or in connection with the Lease nor as the operator of the Airport, nor consent by the Port Authority to the granting or conferring of any rights, powers or privileges to the Lessee or any of the Financial Parties as may be provided by the Subleases, if not granted to the Lessee under the Lease or to the Leasehold Mortgagee under Section 92.

3.4. *No Effect on Lessee's Rental Obligations.* It is understood by the parties hereto that it is not the intention of the parties hereto that anything under this Consent Agreement shall change or affect the obligation of the Lessee to make rental payments under the IDA Sublease as amended by the IDA Sublease Amendments, or the obligation of the Lessee to make, or the rights of the Port Authority to receive, payments under the Lease, and no subordination or other priority is intended to be established by this Consent Agreement with respect to such obligations and rights.

3.5. *Consent Agreement Not to be Used as Evidence of Claim that Terms of Financing Documents Bind the Port Authority.* Provided that nothing in this Section shall in any way impair or limit the rights of the Leasehold Mortgagee under Section 92 or its rights against the Lessee under the Leasehold Mortgage:

(a) In the event of any inconsistency or conflict between the terms, covenants, conditions and provisions of the Lease, this Consent Agreement or the Basic Lease on the one hand and the terms, covenants, conditions and provisions of any of the Financing Documents on the other hand, the Lessee, the IDA, the Trustee, AMR and the Credit Facility Provider, if any, hereby agree that none of them shall ever introduce in any forum this Consent Agreement or the permission granted hereunder, nor any such inconsistency or conflict, as the basis for a defense to or claim against the Port Authority (other than the enforcement of, or to prove the existence of, the consent of the Port Authority hereunder), the Lease, the Premises or the rights and obligations of the Lessee and the Port Authority under the Lease or as the basis for a contention that the terms, covenants, conditions and provisions of the Financing Documents, or any of them, shall apply to, affect or be controlling, effective or determinative as to the Port Authority, the Lease or the Premises or the rights and obligations of the Port Authority and the Lessee under the Lease.

(b) Except as provided in Sections 6.17(b) and 6.17 (c) of the IDA Sublease, the Lessee, the IDA, AMR, the Credit Facility Provider, if any, and the Trustee further agree that they shall not claim that any of them are entitled in law or in equity to any of the determinations described in Section 3.5(a) of this Consent Agreement, or to any compensation, award, suit, action, estoppel, injunction, proceeding or other legal or equitable right or remedy because of this Consent Agreement and the permission granted hereunder, or because of any term, covenant, condition or provision of the Financing Documents, or any of them, which is inconsistent or conflicts with or is contrary to the Lease, this Consent Agreement or the Basic Lease.

3.6. *No Effect on Relationship under the Lease.*

(a) The Lessee and each of the Financial Parties hereby acknowledge and agree that the Subleases have been entered into by the Lessee and the IDA solely to give the IDA a sufficient interest to effectuate the issuance of the Bonds in connection with the financing of the costs of the Redevelopment Work and that, other than as provided herein, the Financing Documents and the Financing Transaction are

not intended to and do not in any way encumber the Lease or the Premises (except to the extent that the Leasehold Mortgage encumbers the Lessee's leasehold interests under the Lease in accordance with Section 92) and that neither the Financing Documents nor this Consent Agreement nor anything contained herein nor the consent granted hereunder nor the Financing Transaction shall affect or alter or be deemed to have affected or altered the relationship between the Port Authority and the Lessee.

(b) It is hereby understood and agreed that, except as otherwise specifically provided in Section 3.9(b) of this Consent Agreement, and except as otherwise specifically provided in Section 6.17(b) and 6.17(c) of the IDA Sublease as between and among the Lessee, the Financial Parties and the Port Authority, the Lessee shall have full and complete power and authority to act as the lessee under the Lease, including, without limitation, the power to amend, supplement and surrender the same, in whole or in part, and the Port Authority shall have full and complete power and authority to act as the landlord under the Lease, including without limitation the power to amend, supplement and surrender the same, in whole or in part, to grant consents and approvals and to deal solely with the Lessee as the lessee under the Lease as if the Financing Documents had not been entered into, this Consent Agreement had not been executed and the Financing Transaction had not taken place, nor shall any of the foregoing require no Bonds to remain Outstanding as a prerequisite thereto.

3.7. *No Port Authority Responsibility to Determine Conformity with Financing Documents.*

(a) The Port Authority shall have no obligation, implicit or otherwise, to inquire into the conformity of any action taken pursuant to the Lease or this Consent Agreement with the terms and provisions of the Financing Documents; *provided, however*, that nothing herein shall be construed in any way to impair the rights of the Leasehold Mortgagee set forth in Section 92.

(b) While it is recognized that the Financing Documents set forth certain representations, warranties and covenants of the Lessee and of the Financial Parties with respect to matters under or relating to the Lease, neither this Consent Agreement nor anything contained herein nor the consent granted hereby shall be or be deemed to be any representation, warranty or covenant by the Port Authority as to the truthfulness or accuracy of the representations, warranties and covenants made by the Lessee or any of the Financial Parties in the Financing Documents, nor shall any such representation, warranty or covenant of the Lessee or of any of the Financial Parties affect any of the rights and remedies of the Port Authority under the Lease or this Consent Agreement or any of the promises and covenants of any of the Financial Parties under this Consent Agreement.

3.8. *Neither Basic Lease, Lease nor, Consent Agreement Delivered As Security for Bonds.* In no event shall the Lease, this Consent Agreement or the Basic Lease be or be deemed to have been delivered to any of the Financial Parties as security for the Bonds; *provided, however*, that, the Leasehold Mortgage may be delivered as security to secure the obligation of (i) American Airlines, Inc. (including its permitted successors pursuant to and under the American Airlines Guaranty, provided that each such permitted successor is then the Lessee under the Lease) under the American Airlines Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR Corporation (including its permitted successors pursuant to and under the AMR Guaranty) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds.

3.9. *No Effect on Ability to Amend or Terminate the Lease.* It is hereby understood and expressly agreed that:

(a) except as otherwise expressly set forth in paragraph (b) of this Section 3.9 the fact that certain provisions of this Consent Agreement, the Subleases and/or the Leasehold Mortgage refer to and/or incorporate the Lease and/or provisions thereof, shall not nor shall be deemed to have limited or in any way affected the rights and ability of the Lessee and the Port Authority to amend, supplement, delete

or otherwise change the terms and provisions of the Lease, including without limitation any provisions of the Lease referred to or incorporated in the Subleases, and the Lessee and the Port Authority shall be as free to amend, supplement, delete or otherwise change the terms and provisions of the Lease or any of them as if the Consent Agreement and the Financing Documents had never been entered into, the Financing Transaction had never taken place and the Bonds had never been issued;

(b) until the Leasehold Mortgage shall have terminated as provided in Section 5.2 of this Consent Agreement:

(i) no amendment shall be made to Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) no amendment which shall only affect an Approved Successor Lessee, without affecting the Lessee, shall be made to the Lease without the prior written consent of the Leasehold Mortgagee;

(c) except as otherwise expressly set forth in Section 92, neither this Consent Agreement nor anything contained herein nor the Financing Transaction nor the Financing Documents nor anything contained therein shall limit or affect or be deemed to have limited or affected the right of the Port Authority to terminate the Lease;

(d) neither this Consent Agreement nor anything contained herein nor the Financing Transaction shall be or be deemed to be a waiver by or consent of the Port Authority to any breach or default of the Lease; and

(e) neither this Consent Agreement nor anything contained herein, nor the Financing Documents, nor the Financing Transaction, including without limitation the issuance of Bonds with a maturity extending beyond the expiration date of the Lease, nor the completion of, nor failure to complete, the Redevelopment Work or any portion thereof, nor the expenditure of monies or Bond proceeds thereon, shall grant or be deemed to have granted any rights whatsoever in the Lessee or any of the Financial Parties to an extension or renewal of the Lease beyond the expiration date of the Lease or such further expiration date as the Port Authority and the Lessee may agree upon, or (except as provided in the City Agreements) to lease, use or occupy the Premises or any part thereof after the expiration or earlier termination or surrender of the Lease, or to be reimbursed by the Port Authority for the Lessee's cost of completing the Redevelopment Work or any portion thereof.

3.10. *No Obligation to Extend Basic Lease.* The granting of the consent under this Consent Agreement shall not obligate the Port Authority to extend the Basic Lease.

3.11. *Acknowledgement and Incorporation of Section 92.*

(a) The Leasehold Mortgagee hereby acknowledges and agrees to the terms of Section 92 with respect to its Reletting Rights as Leasehold Mortgagee, and its rights and obligations with respect thereto, including without limitation its rights and obligations to perform the Leasehold Mortgagee's Foreclosure Period Obligations and to pay to the Port Authority, Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees, Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, the Leasehold Mortgagee's Foreclosure Period Payments, the Foreclosure Period Extension Fees and the Deferred Reletting Fee as set forth in Section 92.

(b) Without limiting the foregoing or any other provision hereof, each and every provision stated in Section 92 to be or become a right or an obligation of the Leasehold Mortgagee is hereby incorporated by reference into this Consent Agreement as among the rights and obligations of the

Leasehold Mortgagee hereunder, and the Leasehold Mortgagee hereby expressly acknowledges and agrees to the terms and provisions of Section 92 as if set forth in full in this Consent Agreement. The Port Authority and the Leasehold Mortgagee hereby recognize and agree to their respective rights and obligations to each other under Section 92, as incorporated by reference herein.

ARTICLE IV. CONDITIONS PRECEDENT TO EFFECTIVENESS OF LEASEHOLD MORTGAGE AND CONSENT TO SUBLEASES.

4.1. *Effective Date of Consent to Subleases.* This Consent Agreement and the consent granted hereunder as to the Subleases shall be effective as of the Effective Date.

4.2. *Effective Date of, and Conditions Precedent to, Consent to Leasehold Mortgage.* The consent granted hereunder as to the Leasehold Mortgage shall not be effective unless on or prior to the Effective Date the Port Authority shall have received all of the following:

(a) an acceptable form of the Leasehold Mortgage, attached as *Exhibit G* of this Consent Agreement, which form shall include a copy of this Consent Agreement and Section 92 as attachments thereto; and

(b) the Leasehold Mortgage Opinion of Counsel, which shall be in the form of *Exhibit J* of this Consent Agreement.

4.3. *Effectiveness of Leasehold Mortgage.* Notwithstanding the provisions of Section 4.2 of this Consent Agreement, the Leasehold Mortgage shall not become effective, the lien created by the Leasehold Mortgage shall not attach, the Reletting Rights shall not be exercisable and the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage until the Reletting Rights Effective Date shall have occurred; and without limiting the foregoing and without limiting the requirements of paragraph (d) of Section 92, the Lessee expressly covenants, warrants and represents that the form of the Leasehold Mortgage attached to the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee shall be the same form as the form of the Leasehold Mortgage attached hereto as Exhibit G.

4.4. *Covenants With Respect to the Leasehold Mortgage.*

(a) (i) In addition to and without limiting Section 92, the Lessee, the Trustee and each of the other Financial Parties hereby expressly (i) acknowledges and agrees that the Leasehold Mortgage shall in no event be enforceable prior to the Reletting Rights Effective Date, and (ii) covenants and agrees that it shall not attempt to deliver, file, record or enforce the Leasehold Mortgage prior to the Reletting Rights Effective Date. Without limiting the foregoing, the Lessee, the Trustee and each of the Financial Parties hereby expressly acknowledges and agrees without limiting any term or provision of the Lease or this Consent Agreement that only the Trustee shall have the right to record the Leasehold Mortgage provided that such recording of the Leasehold Mortgage shall not constitute a Wrongful Recording of the Leasehold Mortgage and that the same is done in strict compliance with Section 92 and this Consent Agreement.

(ii) It is expressly understood and agreed that any Wrongful Recording of the Leasehold Mortgage shall constitute a material breach of the Lease by the Lessee and an event of default under Section 20 thereof permitting the Port Authority to terminate the Lease in accordance with Section 20 thereof, in addition to and without limiting any other rights or remedies of the Port Authority, legal, equitable or otherwise, under the Lease, this Consent Agreement or otherwise; and any such Wrongful Recording of the Leasehold Mortgage shall not constitute the Trustee as the Leasehold Mortgagee nor

entitle the Trustee to any of the Reletting Rights or any other rights thereunder or any other rights against the Lease or the Premises. Notwithstanding anything in Section 8.9 to the contrary and without limiting any of the foregoing or any of the indemnities given in favor of the Port Authority under the Lease or otherwise, the Lessee and the Trustee hereby expressly covenant, represent and warrant to the Port Authority that should a Wrongful Recording of the Leasehold Mortgage occur they and each of them, shall cooperate with the Port Authority and shall promptly take or cause to be taken any and all actions requested or required by the Port Authority or required under applicable law to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, and that they and each of them, shall ensure that the Financial Documents, including but not limited to the Indenture and the Leasehold Mortgage incorporate the provisions of this Article IV. The foregoing covenant, representation and warranty of the Lessee and the Trustee shall survive any such termination of the Lease or of any consent granted hereunder.

(b) In addition to and without limiting Section 92, the Lessee, the Trustee and each of the Financial Parties hereby expressly acknowledge, agree, represent and warrant that the Leasehold Mortgage shall be in the form of *Exhibit G* of this Consent Agreement, with copies of the executed Consent Agreement and Section 92 attached thereto; that none of them shall do anything which would constitute or cause a Wrongful Recording of the Leasehold Mortgage; and that the remedies of the Trustee set forth in 6.17(h) of the IDA Sublease with respect to any Wrongful Recording of the Leasehold Mortgage shall be enforced by the Trustee.

(c) Without limiting Section 92 or the foregoing, the Leasehold Mortgagee hereby covenants, and the Lessee and each of the Financial Parties hereby acknowledge that, upon the Lessee's dating, execution, delivery and recording of the Leasehold Mortgage in full compliance with Section 92 and this Consent Agreement, the Leasehold Mortgagee shall hold the Leasehold Mortgage in compliance with Section 92 and this Consent Agreement and shall exercise its rights and remedies under the Leasehold Mortgage strictly in accordance with and subject to the terms of Section 92 and this Consent Agreement.

ARTICLE V. TERMINATION OF CONSENT TO SUBLEASES AND LEASEHOLD MORTGAGE.

5.1. *Termination of Consent to Subleases.* Notwithstanding anything in the Financing Documents to the contrary, the Subleases and the consent granted hereunder as to the Subleases, shall automatically terminate and end, without notice to the Lessee or any of the Financial Parties, in any event upon the earliest to occur of the following:

(a) the expiration, surrender or termination of the Basic Lease;

(b) the expiration, surrender or termination of the Lease;

(c) the expiration or earlier termination of the Company Sublease;

(d) the expiration or earlier termination of the IDA Sublease, as amended by the IDA Sublease Amendments;

(e) the date on which no Bonds shall be Outstanding; or

(f) the Final Lease Extension Date.

5.2. *Termination of Consent to Leasehold Mortgage.* Notwithstanding anything herein or in the Financing Documents or any consent or approval of the Port Authority thereto to the contrary, the Leasehold Mortgage and the Reletting Rights associated therewith shall become null and void, and the consent granted hereunder as to the Leasehold Mortgage, shall automatically terminate and end, without notice to the Lessee or any of the Financial Parties, in any event upon the earliest to occur of the following:

(a) the expiration, surrender or termination of the Basic Lease except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of paragraphs (b) through (i) of this Section 5.2, or for any other reason), shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights;

(b) the expiration, surrender or termination of the Lease except that the Leasehold Mortgage and the Reletting Rights (but only if the Leasehold Mortgage shall not have terminated pursuant to any of paragraph (a) or paragraphs (c) through (i) of this Section 5.2), (1) shall not terminate solely by reason of the termination of the Basic Lease if there is a RNDA Effective Date upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner, pursuant to the terms of the RNDA, recognizes the Leasehold Mortgage and the Reletting Rights, and (2) shall not terminate solely due to a deemed termination of the Lease, pursuant to Section 52(a) of the Lease, solely due to the occurrence of a Triggering Event;

(c) the termination, expiration or surrender (including without limitation discharge or release) of both of (i) the American Airlines Guaranty (except that if payment obligations of American Airlines, Inc. (including its permitted successors pursuant to and under the American Airlines Guaranty as the Guarantor thereunder provided each such permitted successor is then the Lessee under the Lease), thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AMR Guaranty (except that if payment obligations of AMR (including its permitted successors pursuant to and under the AMR Guaranty as the Guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(d) the date on which no Bonds shall be Outstanding;

(e) the expiration of the Reletting Election Period without the timely and effective exercise by the Leasehold Mortgagee of its election to exercise its Reletting Rights by service of its Reletting Election Notice on the Port Authority in accordance with the terms set forth in Section 92;

(f) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Reletting Rights under the Leasehold Mortgage;

(g) the effective date of the letting, pursuant to Section 92, of the Mortgaged Premises (whether for the full term of the Lease or otherwise) to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Reletting Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of the Lease Assignment/Assumption Commencement Date; *provided, however*, that

nothing contained in this Section 5.2(g) shall or shall be deemed to have amended any term or provision of Section 92 (including, without limitation, Section 92(t));

(h) the Lease Assignment/Assumption Commencement Date; and

(i) the expiration or earlier termination or cancellation of the Foreclosure Period.

5.3. *No Termination of Certain Sections of Master IDA Sublease.* No termination of the Subleases or this Consent Agreement shall terminate the obligations of the Lessee under Sections 3.3, 3.4, 3.8 and 6.2, 6.3, 6.5, 6.17 and 7.7 of the IDA Sublease, which are stated therein to survive such termination.

5.4. *Satisfaction and Discharge of Leasehold Mortgage.* Without limiting any of the rights of the Port Authority or the Lessee, legal or equitable, and without limiting any of the obligations of the Leasehold Mortgagee, legal or equitable, and without limiting Section 4.4 or the obligations of the Lessee and the Trustee thereunder, the Leasehold Mortgagee shall:

(a) within fifteen (15) days of the earlier of (i) the date as of which no Bonds remain Outstanding, (ii) the date on which the Leasehold Mortgage and the consent granted hereunder to such Leasehold Mortgage shall have terminated pursuant to Section 5.2 of this Consent Agreement and (iii) the Final Lease Extension Date, in each county or state office in which the Leasehold Mortgage was recorded, execute, acknowledge and/or prove, consistent, without limitation, with the provisions of Section 321 of Article 9, Chapter 50 of the New York Real Property Law and in like manner as to entitle a conveyance to be recorded, a certificate of discharge of mortgage;

(b) within ten (10) days of the receipt of a copy of the record of the Leasehold Mortgage or the certificate of discharge with the recording officer's mark thereon effecting the discharge of the Leasehold Mortgage, from each county or state office in which the Leasehold Mortgage was recorded, deliver to the Port Authority and the Lessee copies thereof;

(c) within fifteen (15) days of the earlier of (i) the date as of which no Bonds remain Outstanding, (ii) the date on which the Leasehold Mortgage and the consent granted hereunder to such Leasehold Mortgage shall have terminated pursuant to Section 5.2 of this Consent Agreement and (iii) the Final Lease Extension Date, execute, deliver and/or record any other documents and instruments as may be required or requested to discharge and satisfy the lien of the Leasehold Mortgage with respect to the Bonds; and

(d) within ten (10) days of the receipt of evidence of such additional execution, delivery and/or recording that was required or requested, deliver to the Port Authority and the Lessee copies thereof.

ARTICLE VI. AMENDMENTS TO AND ASSIGNMENTS OF FINANCING DOCUMENTS.

6.1. *No Amendments or Assignments Other Than Permitted Amendments or Assignments.*

(a) Other than the Bond Resolutions, the Financing Documents shall not be supplemented, modified, amended, discharged or extended, except as specifically provided in Section 6.2 of this Consent Agreement, and except as specifically provided in paragraph (c) of this Section 6.1 with respect to the City Agreements, or except if the Port Authority shall execute a prior written consent thereto. Without limiting any term or condition of the Lease or this Consent Agreement, the Lessee shall deliver a copy of

the City-American Lease (as such term is defined in Section 3 (e) (2) (iv) of the Lease) to the Port Authority not later than five (5) business days after the execution thereof by the City and the Lessee; *provided, further, however*, that the receipt of such copy of the City-American Lease by the Port Authority shall not be binding on the Port Authority or waive or impair any rights or remedies of the Port Authority or require any action on the part of the Port Authority, and any action, or inaction, in connection with the receipt shall not be deemed to be a waiver or impairment of any rights or remedies that the Port Authority may have under the Lease or the Consent Agreement or otherwise.

(b) The rights and duties under the Subleases, the Indenture, the Leasehold Mortgage, the American Airlines Guaranty or the Bonds shall not be assigned or delegated, except as specifically provided in Sections 6.3 and 6.4 of this Consent Agreement, or except if the Port Authority shall execute a prior written consent thereto.

(c) Without the express prior written consent of the Port Authority, the City Agreements may not be amended in any way that the Port Authority determines would have a material adverse effect on the Port Authority. In addition to and without limiting the foregoing, the City Agreements may not be amended, without the express prior written consent of the Port Authority, in any way that would have the effect of providing for a term of the City-American Lease other than as specified in Section 94 (a) (1) of the Lease, whether or not such amendment would have a material adverse effect on the Port Authority.

6.2. *Permitted Amendments to Certain Financing Documents.*

(a) Additional Documents executed in connection with the issuance of Additional Bonds shall be consistent in form and substance with the Forms of Additional Documents, subject only to such changes that fix and determine the Financial Terms of or with respect to Additional Bonds and related Financing Documents (excluding the Leasehold Mortgage, the City Agreements and the Guaranties); *provided, however*, that the Lessee shall execute and deliver to the Port Authority, within ten (10) business days of the closing of the sale of Additional Bonds, an Additional Bonds Covenant Certificate, together with:

(1) final copies of any Additional Bond Resolutions;

(2) executed copies of any Additional Bonds;

(3) executed copies of any Additional Supplemental Indenture(s);

(4) executed copies of any IDA Sublease Amendments;

(5) executed copies of all agreements with the Credit Facility Provider, if any, with respect to the Credit Facility, if any; and

(6) an opinion of Lessee's counsel, addressed to the Port Authority, that the execution and issuance of the Additional Documents does not violate the terms and conditions of this Section 6.2(a).

(b) The Financing Documents (excluding the Leasehold Mortgage, the City Agreements and the Guaranties) may be supplemented, amended or modified solely for the purpose of (i) further fixing and determining, or modifying, the Financial Terms of Bonds which are Outstanding and/or (ii) curing any ambiguity, or curing or correcting any defective provision or omission; *provided, however*, that no such supplement, amendment or modification shall alter, impair or adversely impact the Port Authority's rights and remedies under this Consent Agreement, the Lease or the Basic Lease or otherwise; and *further, provided, however*, that the Lessee shall execute and deliver to the Port Authority, within ten

(10) business days of the execution of any Additional Minor Modification Documents, an Additional Lessee Covenant Certificate, together with:

(1) final executed copies of any Additional Minor Modification Documents; and

(2) an opinion of Lessee's counsel, addressed to the Port Authority, that the execution and issuance of the Additional Minor Modification Documents does not violate the terms and conditions of this Consent Agreement or of the Lease; *provided, however*, that such opinion may assume that the execution and issuance of any supplement, amendment or modification of the Financing Documents, which is done solely for the purpose of further fixing and determining, or modifying, the Financial Terms of Bonds which are Outstanding, does not alter, impair or adversely impact the Port Authority's rights and remedies under the Consent Agreement, the Lease, the Basic Lease or otherwise.

6.3. *Permitted Assignments.*

(a) The Lessee may only assign its rights and delegate its duties under the Subleases, the Leasehold Mortgage and the American Airlines Guaranty to the Trustee, the Leasehold Mortgagee or a Section 19 Assignee.

(b) The IDA may only assign its rights and delegate its duties under the Subleases, the Indenture and the Bonds to the Trustee, the Leasehold Mortgagee or a Section 19 Assignee Issuer.

6.4. *Successor Trustee.*

(a) The IDA shall notify the Port Authority of any proposed Successor Trustee forty-five (45) days prior to the date on which such proposed Successor Trustee is to be appointed as Successor Trustee; *provided, however*, without limiting paragraph (b) below, that, notwithstanding the foregoing, the consent of the Port Authority shall not be required for the appointment of a Successor Trustee.

(b) Any Successor Trustee shall execute and deliver to the Port Authority a Successor Trustee Certificate of Assumption and Agreement, which shall be executed in the form of *Exhibit O* of this Consent Agreement and which shall be effective as of the same date that such Successor Trustee is appointed as Successor Trustee.

6.5. *Addition of Credit Facility Provider.* In the event that the Lessee elects to add a Credit Facility to provide liquidity and/or credit support for any series of Bonds, the Credit Facility Provider duly selected shall execute and deliver to the Port Authority a Credit Facility Provider Certificate of Assumption and Agreement, which shall be executed in the form of *Exhibit I* of this Consent Agreement and which shall be effective as of the same date that the Credit Facility is effective.

ARTICLE VII. NOTICES AND COPIES.

7.1. *Notices.* The Lessee shall give written notice to the Port Authority of the following: (and the Trustee/Leasehold Mortgagee and the IDA shall send informational copies to the Port Authority simultaneously with giving any such notice to the Lessee):

(a) within five (5) business days, receipt by the Lessee of a notice of an Event of Default under the Indenture, the Subleases and/or the Leasehold Mortgage, which notice to the Port Authority shall include a copy of any such notice of an Event of Default;

(b) within five (5) business days, any action or notice thereof on the part of any of the Financial Parties to enforce any remedies against the Lessee, including any of the remedies provided in the Indenture, the Subleases and/or the Leasehold Mortgage;

(c) within ten (10) business days, any amendment of the Indenture deemed necessary in the opinion of Bond Counsel to ensure continued tax exemption of the Bonds;

(d) within five (5) business days, any Determination of Taxability and any subsequent opinion of counsel contesting such determination;

(e) within ten (10) business days and with a full description, the defeasance, refunding, redemption, discharge, cancellation, acceleration or payment of any series of Bonds.

7.2. *Copies.* The Lessee or the Trustee shall promptly provide to the Port Authority five (5) copies of all of the following:

(a) opinions of counsel, rendered in connection with the Financing Transaction;

(b) Preliminary Official Statements and Official Statements published in connection with the sale of any series of Bonds; and

(c) any notice received by the Trustee pursuant to Section 6.12 of IDA Sublease;

provided, however, that the receipt of such copies by the Port Authority shall not be binding on the Port Authority or require any action on the part of the Port Authority, unless otherwise required by the Lease or other agreements, and any action, or inaction, in connection with the receipt of such opinions, notices or certificates shall not be deemed to be a waiver of any rights that the Port Authority may have under the Lease or this Consent Agreement or otherwise; *provided, further, however,* that nothing herein shall be deemed to require any of the foregoing to be addressed to, or to run to the benefit of, the Port Authority; and provided that none of the same limit, impair, restrict or alter any rights or remedies of the Port Authority.

ARTICLE VIII. DEFAULTS, RIGHTS AND REMEDIES.

8.1. *Limitations of Liability.*

(a) Neither the Commissioners of the Port Authority nor any of them, nor any officer, agent or employee thereof shall be held personally liable to the Lessee or any of the Financial Parties under any term or provision of this Consent Agreement or because of the execution or attempted execution of this Consent Agreement or because of any breach or alleged breach thereof.

(b) With respect to the IDA, it is agreed that the IDA, its officers, members, employees, agents and directors shall have no personal liability hereunder, nor in their capacity as officers, members, employees, agents and directors. The IDA has executed this Consent Agreement to subject its interest in the Subleases to this Consent Agreement; however, no party shall have recourse to the IDA other than to its interest in the Subleases and/or its rights and interests pledged under the Indenture. No provision, covenant or agreement contained in this Consent Agreement or any obligations therein imposed upon the IDA or the breach thereof shall constitute or give rise or impose upon the IDA a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this Consent Agreement, the IDA has not obligated itself except with respect to the Subleases. All covenants, stipulations, promises, agreements and obligations of the IDA contained herein shall be deemed to be

covenants, stipulations, promises, agreements and obligations of the IDA and not of any member, director, officer, employee or agent of the IDA in his individual capacity, and no recourse shall be had for the payment of any sums due or for any claim based on this Consent Agreement or hereunder against any member, director, officer, employee or agent of the IDA or any natural person executing this Consent Agreement.

(c) No provisions of any of the Financing Documents imposing obligations on the Lessee or any of the Financial Parties with respect to laws, ordinances, statutes, orders, taxes, assessments and liens, shall be construed as a submission or admission by the Port Authority that the same could or does lawfully apply to the Port Authority.

8.2. *Limited Rights of Lessee and Financial Parties.*

(a) The Lessee and each of the Financial Parties hereby expressly waive any and all rights and remedies granted to them under the Act with respect to or against the Redevelopment Work, the Lease, the Premises and the Port Authority in connection with the Financing Documents and the Financing Transaction (other than (i) the interests, rights and remedies of the Leasehold Mortgagee under and subject to Section 92 and (ii) any rights to accelerate and collect rentals from the Lessee under the Subleases).

(b) The Lessee and each of the Financial Parties hereby represent to and agree with the Port Authority that the only right and interest that the IDA shall have in the Premises is to sublease the Leased Facilities from and to the Lessee and impose upon the Lessee the obligations set forth in the Subleases and that none of the Financial Parties shall have any other interest in the Premises or the Lease under the Financing Documents with the exception as to American Airlines, Inc. or any Section 19 Assignee which shall have contractual rights, granted to American Airlines, Inc. by the City under the American-City Agreement and RNDA in accordance with their terms and the terms, covenants and conditions of the Lease with respect thereto, nor any rights under the Act (other than (i) the interests, rights and remedies of the Leasehold Mortgagee under the Leasehold Mortgage, subject to Section 92, and (ii) any rights to accelerate and collect rentals from the Lessee under the Subleases), the Real Property Actions and Proceedings Law of the State of New York, the Real Property Law of the State of New York, or otherwise, in the Premises or the Lease, including but not limited to, any rights to perform the promises and covenants of the Lessee under the Lease, any rights to enforce the rights and remedies of the Lessee against the Port Authority under the Lease or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession (except as expressly set forth in Section 92), any right to the appointment of a receiver or (except as expressly set forth in Section 92) to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Premises, the Redevelopment Work or the Lease or any part thereof or any rights created thereby or the letting thereunder. With respect to the City Agreements, in accordance with Section 94 (h) of the Lease the Lessee and each of the Financial Parties agree that it shall not claim that the American-City Agreement (as defined in Section 3 of the Lease) constitutes or shall constitute or creates any estate or other property right or property interest in the Premises, and without limiting the generality of the foregoing, the Lessee and each of the Financial Parties hereby expressly waive any and all rights and remedies with respect to any estate and other property interests or property rights, if any, in the Premises that the Lessee or the Leasehold Mortgagee may have under the American-City Agreement; and without limiting the generality of the foregoing, the Lessee and each of the Financial Parties further agree that they shall not claim that the City Agreements constitute or create any estate, right or interest in the Premises subsequent to the Final Lease Extension Date (as defined in Section 3 of the Lease).

(c) The Lessee and each of the Financial Parties hereby represent to and agree with the Port Authority that they shall not, either in an individual or collective capacity, have any claim, interest, remedy, right or action against the Port Authority or the Premises or under the Lease (other than (i) the

interests, rights and remedies of the Leasehold Mortgagee under the Leasehold Mortgage subject to Section 92 and (ii) any rights to accelerate and collect rentals from the Lessee under the Subleases) at law or in equity arising out of or in connection with the Act, the Financing Documents or the Financing Transaction.

(d) The Lessee and each of the Financial Parties understand and agree that no consent is being given hereunder to the actual occupancy of the Premises by any of the Financial Parties and that any actual occupancy of any portion of the Premises, or any appointment of a receiver, entry, re-entry, redemption, eviction or regaining or resumption of possession, or any selling, transferring, mortgaging, acquiring, pledging or assigning (except as expressly permitted and set forth in Section 92 with respect to the Leasehold Mortgagee's Reletting Rights) of any portion of the Premises, the Redevelopment Work or the Lease by any Financial Party shall be and be deemed to be a material breach of the Lease permitting the Port Authority to terminate the Lease in accordance with its terms.

8.3. *Consent Agreement Not a Mortgage.* The Lessee and each of the Financial Parties understand and agree that this Consent Agreement is not a mortgage and shall not be deemed to create a mortgage or any other security interest in the Premises, the Lease or the Subleases.

8.4. *Indemnity.*

(a) The Lessee and AMR shall indemnify and hold harmless the Port Authority, its Commissioners, officers, agents and employees from and against all claims and demands of third persons (including without limitation the Lessee and each of the Financial Parties) of every kind or description whatsoever, (whether arising or alleged to arise from acts or omissions of the Port Authority (excepting such claims and demands arising from the sole negligence of the Port Authority) or of the Lessee or of the Commissioners, officers, agents, directors or employees of the Port Authority or of the Trustee, including claims and demands of the City, for indemnification arising by operation of law or pursuant to the indemnification provisions of the Basic Lease) arising or alleged to arise out of or in connection with the Financing Transaction, the Financing Documents and/or this Consent Agreement and/or any Wrongful Recording of the Leasehold Mortgage.

(b) The Lessee shall reimburse the Port Authority for the Port Authority's costs and expenses, including, but not limited to, legal costs and expenses incurred for the defense, settlement or satisfaction of any of the foregoing. If so directed the Lessee shall, at its own cost and expense, defend any suit against the Port Authority based on any such losses, injuries, liabilities, claims and demands (even if such suit or demand is or appears to be groundless, false or fraudulent) and in defending such, it shall not, without obtaining express advance permission from the General Counsel of the Port Authority, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Port Authority, the immunity of the Port Authority, its Commissioners, officers, agents or employees, the governmental nature of the Port Authority, or the provisions of any statutes respecting suits against the Port Authority.

(c) It is hereby understood and agreed that the covenant of indemnity set forth in this Section 8.4 is independent of all covenants of indemnity set forth in the Lease and, therefore, does not amend or modify the parties' respective rights and obligations relating to any covenants of indemnity set forth in the Lease.

8.5. *Default and Remedies Under this Consent Agreement.*

(a) Any breach or default of any of the terms and conditions of this Consent Agreement by the Lessee shall constitute a material breach of the Lease and permit the Port Authority to terminate the Lease in accordance with its terms, unless the Lessee has cured such breach or default within thirty (30)

days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligations requires activity over a period of time, and the Lessee shall have commenced to perform whatever may be required for fulfillment within thirty (30) days after receipt of notice and continues such performance without interruption except for causes beyond its control).

(b) Any breach or default of any of the terms and conditions of this Consent Agreement by any Financial Party shall not be deemed a breach of the Lease or give rise to a right of termination of the Lease by the Port Authority.

(c) The Lessee hereby covenants and agrees, after receipt of a written notice from the Port Authority of any breach or default by any Financial Party, to use its good faith commercially reasonable efforts to cure such breach or default or to cause any defaulting Financial Party to cure such breach or default; *provided, however*, that it is hereby agreed and understood that any failure of the Lessee, after having used good faith commercially reasonable efforts, to cure or cause the cure of any such breach or default by any of the Financial Parties, shall in no event be deemed to constitute a breach of the Lease or give rise to a right of termination of the Lease by the Port Authority.

(d) It is hereby understood and agreed that the Port Authority may pursue whatever rights and remedies it has at law or in equity for a breach or default of this Consent Agreement by any Financial Party, and the Lessee hereby agrees to indemnify and hold harmless the Port Authority for any costs and expenses actually incurred by the Port Authority if it chooses to, independently of action being taken by the Lessee, pursue the cure of any such breach or default.

8.6. *Rights and Remedies of the Port Authority Not Limited By This Consent Agreement.*

(a) The enumeration in this Consent Agreement of specific rights and remedies of the Port Authority shall not be deemed to limit any other rights or remedies that the Port Authority would have in the absence of such enumeration, and no exercise by the Port Authority of any right or remedy shall operate as a waiver of any other of its rights or remedies not inconsistent therewith or to prevent it from exercising such other rights and remedies.

(b) No failure by the Port Authority to insist upon the strict performance of, or compliance with, any agreement, term, covenant or condition of this Consent Agreement or to exercise any right or remedy consequent upon a breach or default thereof, and no supplement, extension or amendment of this Consent Agreement during or after a breach thereof, unless expressly stated to be a waiver, and no acceptance by the Port Authority of rentals, fees, charges or other payments in whole or in part after or during the continuance of any such breach or default, shall constitute a waiver of any such breach or default of such agreement, term, covenant or condition.

(c) No agreement, term, covenant or condition of this Consent Agreement to be performed or complied with by the Lessee or any of the Financial Parties and no breach or default thereof, shall be waived, altered or modified except by a written instrument executed by the Port Authority.

(d) No waiver by the Port Authority of any default or breach on the part of the Lessee or any of the Financial Parties in the performance of, or compliance with, any agreement, term, covenant or condition of this Consent Agreement shall affect or alter this Consent Agreement, but each and every agreement, term, covenant and condition thereof shall continue in full force and effect with respect to any other then existing or subsequent breach or default thereof.

8.7. *Interpretation of the Leasehold Mortgage.* Without limiting the generality of any of the terms and conditions of this Consent Agreement or the Lease, it is hereby expressly understood and agreed that:

(a) the Leasehold Mortgage, including, without limitation, the lien created thereby, is granted subject to all of the terms, covenants and conditions of Section 92, and neither the Leasehold Mortgage, the lien created thereby, nor any of the terms, covenants and conditions of Section 92 is intended, nor shall be construed to, expand in any way any rights of the Lessee under the Lease; and

(b) no waiver of performance by the Lessee or the Leasehold Mortgagee under the Leasehold Mortgage shall be deemed to be a waiver by the Port Authority of its rights under the Lease.

8.8. *Right of Port Authority to Receive title to IDA's Interest In Facility.*

(a) As provided in Section 92(v) of the Lease, the Port Authority shall have the right following the giving of notice by the Leasehold Mortgagee of the Leasehold Mortgagee's intention to foreclose the Leasehold Mortgage or a request that the Lessee assign the Lessee's interest in lieu of foreclosure, to tender to the Leasehold Mortgagee the total amount specified in such notice from the Leasehold Mortgagee, including per diem interest through the date of such tender, and upon such tender the Leasehold Mortgage shall terminate and be of no further force and effect.

(b) Promptly following the tender of such amount specified in Section 8.8(a) by the Port Authority, the Leasehold Mortgagee shall execute a satisfaction of the Leasehold Mortgage, cause the same to be filed in the Office of the City Register for Queens County and take all other and additional actions that are required in order to discharge the lien of the Leasehold Mortgage as of record.

(c) Upon the payment by the Port Authority of the amount specified in Section 8.8(a), the IDA shall, unless otherwise then declined by the Port Authority, transfer and convey to the Port Authority, without any additional consideration, all of the IDA's interest in and title to the Facility (including but not limited to all items of equipment and personal property at the Premises the purchase or construction of which were financed by the proceeds of the Bonds), all, or such part as the Port Authority then elects (including trade fixtures but excluding ground vehicles) including without limiting the generality of the foregoing any system for handling baggage, any counters, and any passenger loading bridges.

(d) The Lessee, the Leasehold Mortgagee and the IDA hereby agree that on the effective date of such transfer to the Port Authority none of the items specified in Section 8.8(c) shall be subject to any lien, security interest or other encumbrance.

(e) In connection with the transfer by the IDA of its interest in and title to the Facility, as described in Section 8.8(c), upon the request of the Port Authority, the Lessee, the Leasehold Mortgagee and the IDA shall execute a bill of sale or such other document of conveyance as the Port Authority may reasonably request to transfer title to the aforesaid items to the Port Authority (including a warranty of title to the Port Authority which warranty may be based solely on the warranty of title given to the IDA by the Lessee) and including without limitation any and all appropriate filings pursuant to the Uniform Commercial Code, and the Lessee, the IDA and the Leasehold Mortgagee shall from time to time execute such other documentation as the Port Authority may reasonably request and prepare evidencing the option of the Port Authority, as provided in this Section 8.8.

8.9 *Rights Pursuant to Leasehold Mortgage.*

(a) Excepting any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Lessee acknowledges and agrees that under no circumstances shall alleged non-compliance by the Lessee, AMR, the IDA, the Port Authority or any Financial Party with any of the terms, conditions or representations contained in this Consent Agreement be a defense by the Lessee in any proceeding brought by the Leasehold Mortgagee to enforce its rights under the Leasehold Mortgage or any provision thereof.

(b) Excepting any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Lessee hereby waives all defenses of the Lessee, if any, to the enforcement of the Leasehold Mortgage or any provision thereof that may arise out of (i) any purported invalidity, termination (except as specifically set forth in Section 5.2 of this Consent Agreement) or inapplicability of this Consent Agreement or (ii) any non-compliance with any of the terms, conditions or representations contained in this Consent Agreement by the Lessee, AMR, the IDA, the Port Authority or any Financial Party.

(c) Excepting any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom and excepting the terms, conditions and provisions of Article IV of this Consent Agreement, after the proper execution, delivery and recording of the Leasehold Mortgage in the form attached hereto as Exhibit G and in compliance with the Lease and this Consent Agreement and following the Reletting Rights Effective Date and the satisfaction of all conditions as set forth in Section 4.2 of this Consent Agreement, no violation of any covenant or condition contained in this Consent Agreement by any party hereto, shall in any way affect, invalidate, impair or (except as specifically set forth in Section 92 and in Section 5.2 of this Consent Agreement) terminate the Leasehold Mortgage or affect the lien thereof; *provided, however*, that where there is a Wrongful Recording of the Leasehold Mortgage or where any such violation or any misrepresentation constitutes a Wrongful Recording of the Leasehold Mortgage, the Leasehold Mortgage and the lien thereof shall not be entitled to the foregoing protection.

(d) It is hereby expressly understood and agreed that nothing provided in this Section 8.9 shall be construed to waive, limit, impair or preclude any right, remedy, claim or defense of, or indemnity in favor of, the Port Authority, or any other party, including, without limitation, any right, remedy, claim, defense or indemnity available to the Port Authority or any other party by subrogation or otherwise, with respect to the matters provided for in this Section 8.9, or with respect to any Wrongful Recording of the Leasehold Mortgage, and including further, without limitation, the right of the Port Authority to terminate the Lease in accordance with paragraph (d)(2) of Section 92.

(e) Without limiting paragraph (e) of Section 92 or any other term, covenant, provision or condition or the Lease and without limiting Section 5.2 of this Consent Agreement, the parties acknowledge that if the Lease is terminated pursuant to Section 20 thereof, then the Leasehold Mortgage and the lien created thereby simultaneously and automatically terminate, end and be discharged.

ARTICLE IX. MISCELLANEOUS.

9.1. *Notices.* All copies, notices, requests, permissions, consents and approvals given or required to be given by the parties under this Consent Agreement shall be deemed to have been properly given or made if given in writing and delivered personally to or mailed by certified or registered mail, return receipt requested, addressed as follows or to such other officer or address as may be substituted therefor by notice to the signatories to this Consent Agreement.

If to the Port Authority:

The Port Authority of New York
and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

If to the Lessee:

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155
Attention: Vice President and Treasurer (MD 5566)
Copy To: Corporate Real Estate (MD 5317) and General Counsel (MD 5618)

If to the IDA:

New York City Industrial Development Agency
110 William Street,
New York, New York 10038
Attention: Chairman
Copy To: Executive Director

If to the Trustee:

The Bank of New York
101 Barclay Street, Floor 21W
New York, New York 10286
Attention: Corporate Trust Administration

If to AMR:

4333 Amon Carter Boulevard
Fort Worth, Texas 76155
Attention: Vice President and Treasurer (MD 5566)
Copy To: General Counsel (MD 5618)

9.2. *Port Authority Fee.* Upon delivery of an executed copy of this Consent Agreement to the Lessee and the execution thereof by all parties, the Lessee shall pay to the Port Authority the sum of (Ex. 2.a.)

9.3. *Counterparts.* This Consent Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

9.4. *Choice of Law.* This Consent Agreement shall be governed by and construed in accordance with the laws of the State of New York, excluding its choice of law rules.

9.5. *Amendments and Waivers.* This Consent Agreement constitutes the entire agreement of the parties, and sets forth the entire understanding of the parties as to the subject matter hereof, and no

modification, rescission, waiver, release or amendment of any provision of this Consent Agreement shall be made except by a written agreement executed by the parties hereto.

9.6. *Titles*. Titles to the Articles and Sections of this Agreement are solely for the convenience of the parties, are not an aid in the interpretation of this Consent Agreement or any part thereof, and shall in no way define the limit or describe the scope or intent of any provision of this Consent Agreement.

9.7. *Rules of Construction*. The parties agree that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be applicable to the interpretation of this Consent Agreement, any exhibits hereto, or any amendments, modifications or supplements hereto.

9.8. *Representations of Port Authority.*

(a) The Port Authority represents to the Lessee and each of the Financial Parties that, as of the Effective Date, it has not given a notice of default or a notice of termination to the Lessee under the Lease and that the Lease is in full force and effect.

(b) Francis DiMola, who executed this Consent Agreement on behalf of the Port Authority, having inquired of the senior and middle management staff in the Aviation Department of the Port Authority and of the Chief Financial Officer of the Port Authority, to the best of his knowledge hereby represents, as of the Effective Date, as follows:

(i) The Port Authority has not received any notice from the City purporting to terminate the Basic Lease.

(ii) The Port Authority has not, prior to the Effective Date, mortgaged its interest in the Premises or assigned or encumbered its rights under the Basic Lease or its interest in the Premises in a manner that would subject the rentals payable by the Lessee under the IDA Sublease, as amended, modified or supplemented by any IDA Sublease Amendments, to such assignment or encumbrance.

(iii) All actions required to be taken within the Port Authority for the execution and delivery by the Port Authority of this Consent Agreement and Supplement No. 1 have been taken.

9.9. *Termination of this Consent Agreement.* Except as otherwise provided in Section 9.10 of this Consent Agreement, this Consent Agreement shall terminate, and the rights and obligations of the parties hereunder shall cease, upon the earliest to occur of (i) the effective date of the termination or expiration of the Basic Lease, (ii) the effective date of the termination (except solely due to a deemed termination of the Lease, pursuant to Section 52(a) of the Lease, solely due to the occurrence of a Triggering Event) or expiration of the Lease or (iii) the Final Lease Expiration Date.

9.10. *Survival of Certain Obligations.* Notwithstanding any prior termination of the Port Authority's consent to the Subleases or the Leasehold Mortgage pursuant to Sections 5.1 and/or 5.2 of this Consent Agreement, Sections 3.5, 8.1 and 8.4 of this Consent Agreement shall survive the termination of this Consent Agreement.

IN WITNESS WHEREOF, the Port Authority, the Lessee, the IDA, AMR and the Trustee have executed these presents.

ATTEST:

Assistant Secretary

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By _____

Title Assistant Director - Aviation

(Seal)

ATTEST:

_____
Secretary

AMERICAN AIRLINES, INC.
(Lessee)

By _____
(Name)
(Title) _____
(Corporate Seal)

ATTEST:

Asst. Secretary

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(IDA)

By _____
Deputy Executive Director
(Corporate Seal)

ATTEST:

_____
Secretary

THE BANK OF NEW YORK
(Trustee)

By _____

Title _____
(Corporate Seal)

ATTEST:

_____
(Secretary)

AMR CORPORATION
(Guarantor)

By _____
Title _____
(Corporate Seal)

IN WITNESS WHEREOF, the Port Authority, the Lessee, the IDA, AMR and the Trustee have executed these presents.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By_____
Title_____

(Seal)

ATTEST:

AMERICAN AIRLINES, INC.
(Lessee)

Secretary

By Beverly Goulet
Beverly K. Goulet
Vice-President

(Corporate Seal)

ATTEST:

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(IDA)

_____
Secretary

By_____
Deputy Executive Director
(Corporate Seal)

ATTEST:

THE BANK OF NEW YORK
(Trustee)

_____
Secretary

By_____
Title_____
(Corporate Seal)

ATTEST:

AMR CORPORATION
(Guarantor)

William J. Hoggins
Assistant Secretary

By_____
Charles D. MarLett
Secretary

IN WITNESS WHEREOF, the Port Authority, the Lessee, the IDA, AMR and the Trustee have executed these presents.

ATTEST:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

_____
Secretary

By_____
Title_____

(Seal)

ATTEST:

AMERICAN AIRLINES, INC.
(Lessee)

_____
Secretary

By_____
(Name)
(Title)_____
(Corporate Seal)

ATTEST:

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(IDA)

_____
Secretary

By_____
Deputy Executive Director
(Corporate Seal)

ATTEST:

THE BANK OF NEW YORK
(Trustee)

_____
Secretary
CRAIG S. WENZLER
Assistant Vice President

By Beverly Gardner-Samuel
Title BEVERLY GARDNER-SAMUEL
Assistant Treasurer
(Corporate Seal)

ATTEST:

AMR CORPORATION
(Guarantor)

_____
(Secretary)

By_____
Title_____
(Corporate Seal)

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

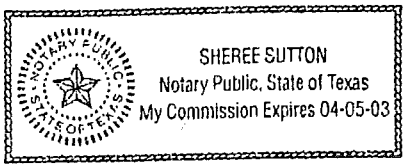
On the 29th day of July, 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Francis DiMola, of the Aviation Department of the PORT AUTHORITY OF NEW YORK AND NEW JERSEY, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s), acted, executed the instrument.

Notary Public

TIMOTHY G. STICKELMAN
Notary Public, State of New York
No. 01ST4817298
Qualified in Suffolk County
Commission Expires March 30, 2003

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On the 29th day of July, 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Beverly K. Goulet, of AMERICAN AIRLINES, INC., personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s), acted, executed the instrument.



Sheree Sutton
Notary Public

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ Putnam County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

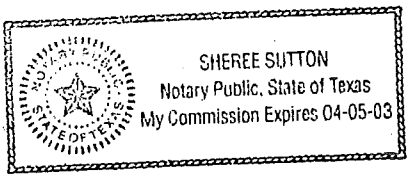
On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On the 29th day of July, 2002, before me, the undersigned, a Notary Public in and for said state, personally appeared Charles D. MarLett, of AMR CORPORATION, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s), acted, executed the instrument.



Notary Public

EXHIBIT A

COMPANY SUBLEASE

See item #7 of the Records of Proceedings

EXHIBIT B

IDA LEASE

See item #8 of the Records of Proceedings

EXHIBIT C

MASTER INDENTURE

See item #9 of the Records of Proceedings

EXHIBIT D

2002 SUPPLEMENTAL INDENTURES

See items #10 &11 of the Records of Proceedings

EXHIBIT E

AMERICAN AIRLINES GUARANTY

See item #12 of the Records of Proceedings

EXHIBIT F

AMR GUARANTY

See item #13 of the Records of Proceedings

EXHIBIT G

FORM OF THE LEASEHOLD MORTGAGE

See item #14 of the Records of Proceedings

EXHIBIT H

BOND RESOLUTIONS

See item #19 Exhibit B of the Records of Proceedings

EXHIBIT I

CREDIT FACILITY PROVIDER
CERTIFICATE OF ASSUMPTION AND AGREEMENT

To: The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

Pursuant to the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002 (the "Consent Agreement") by and among American Airlines, Inc. (the "Lessee"), AMR Corporation, the New York City Industrial Development Agency, The Bank of New York and The Port Authority of New York and New Jersey (the "Port Authority"), and pursuant to Section 92 (such term and all other terms of special meaning having the meanings ascribed to such terms in or pursuant to the Consent Agreement), the undersigned, as a Credit Facility Provider, as defined in the Consent Agreement, hereby agrees to, and agrees to be bound by, all the terms, provisions and conditions of the Consent Agreement.

The undersigned Credit Facility Provider hereby certifies that the proper address for giving of written notice by the Port Authority to the Credit Facility Provider is as follows:

ATTEST: [Legal Name of Credit Facility Provider]

_____
Secretary

By_____

(Title) Vice-President

(Corporate Seal)

Exhibit J

July 31, 2002

To Each of the Persons
Listed on Schedule I Attached Hereto:

$ 500,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

Ladies and Gentlemen:

We have acted as special New York counsel to (i) American Airlines, Inc., a Delaware corporation (the "Company") and (ii) AMR Corporation, a Delaware corporation ("AMR"), in connection with the preparation of the form of Leasehold Mortgage and Security Agreement (attached as Exhibit G to the Consent Agreement) (the "Leasehold Mortgage") which Leasehold Mortgage is being prepared in connection with the transactions contemplated by the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated July 25, 2002, among Salomon Smith Barney Inc., as Senior Managing Underwriter on behalf of the several Underwriters named therein, the Company, AMR and the New York City Industrial Development Agency (the "Issuer") relating to the issuance and sale by the Issuer of $500,000,000 aggregate principal amount of its Special Facility Revenue Bonds, Series 2002 (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Bonds") issued pursuant to a Master Indenture of Trust, dated as of July 1, 2002, as supplemented by a First Series Supplemental Indenture of Trust, dated as of July 1, 2002 and by a Second Series Supplemental Indenture of Trust, dated as of July 1, 2002 (collectively, the "Indenture") between the Issuer and The Bank of New York, as Trustee. Unless otherwise defined herein, capitalized terms used herein without definition shall have the meaning specified in the Indenture or, if not defined therein, in the Bond Purchase Agreement.

The opinion expressed below is furnished to you pursuant to Section 4.2(b) of the Consent Agreement and Section 9(d)(13) of the Bond Purchase Agreement.

In arriving at the opinion expressed below,

(a) we have examined and relied on the originals, or copies certified or otherwise identified to our satisfaction, of the Company Documents and AMR Documents,

(b) we have examined and relied on such corporate documents and records of the Company and AMR and such other instruments and certificates of public officials, officers and representatives of the Company and AMR and other persons as we have deemed necessary or appropriate for the purposes of this opinion,

(c) we have examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to the Company Documents and AMR Documents, and

(d) we have made such investigations of law as we have deemed appropriate as a basis for this opinion.

In rendering the opinions expressed below, we have assumed, with your permission, without independent investigation or inquiry, (a) the authenticity of all documents submitted to us as originals, (b) the genuineness of all signatures on all documents that we examined, (c) the conformity to authentic originals of documents submitted to us as certified, conformed or photostatic copies and (d) the due authorization, execution and delivery by each of the parties thereto of each of the Company Documents and AMR Documents, the corporate or partnership power and authority of each such person to enter into and perform its obligations under each such document, the enforceability of each such document and the binding effect thereof as against each such person.

Based upon and subject to the foregoing and the qualifications hereinafter set forth, we are of the opinion that:

The Leasehold Mortgage is in a form sufficient (a) to create a valid and effective lien in favor of the Trustee for the benefit of the bondholders on and against the leasehold interest of the Company in the real property, other than fixtures (the "Mortgaged Premises") created under that that certain Amended and Restated Agreement of Lease (Lease No. AYB-085R) made as of December 22, 2000 between the Company and the Port Authority and described in such Leasehold Mortgage (the "Leasehold Estate") and (b) for recording in the office of the City Register for Queens County, New York. In

order to provide constructive notice of the lien intended to be created on the Leasehold Estate by the Leasehold Mortgage, it is necessary to record the Leasehold Mortgage in the office of the City Register for Queens County, New York in accordance with the recording system established by applicable laws of the State of New York. We have assumed that the Company has or will have a leasehold interest of record in the Mortgaged Premises at the time of recording of the Leasehold Mortgage.

The opinion expressed above is subject to the following limitations, exceptions and assumptions:

A. Our opinion is qualified to the extent that the lien on the Leasehold Estate intended to be created by the Leasehold Mortgage may be limited by (i) applicable bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium, fraudulent conveyance or similar laws relating to or affecting the enforcement of creditors' rights generally and (ii) general principles of equity and certain legal or statutory principles, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

B. We have not made or undertaken to have made any investigation of the state of title to the Mortgaged Premises or the validity of the leasehold interest in the Mortgaged Premises, and we express no opinion as to (i) the title to or other ownership rights in such property, (ii) the legal description of such property, (iii) the priority of any lien or security interest intended to be created by the Leasehold Mortgage, or (iv) the absence of any conflicting rights of others with respect to such property.

C. We have assumed that the Company has "rights" in the Leasehold Estate and that "value" has been given.

D. The opinion expressed herein does not encompass, and we express no opinion with respect to, the creation of any security interest in the fixtures or any other personal property described in the Leasehold Mortgage.

E. The opinion expressed herein does not encompass, and we express no opinion with respect to, the filings and other acts that may be required in the State of New York in connection with foreclosure or other realization upon the property subject to security interests pursuant to the Leasehold Mortgage.

F. We express no opinion with respect to any provision of the Leasehold Mortgage that purports to permit the Trustee or any person to sell or otherwise dispose of any of the Leasehold Estate except in compliance with applicable federal and state laws.

G. We express no opinion with respect to the ability of the Trustee to proceed with foreclosure of the lien under the Leasehold Mortgage without accelerating the underlying indebtedness evidenced by the Bonds as guaranteed by the Guaranty.

H. We express no opinion as to any law relating to the protection of the environment or to building codes, zoning, land use controls, environmental or similar matters.

I. We express no opinion as to the effectiveness against third parties of any provision of the Leasehold Mortgage purporting to grant a lien on after-acquired real property.

J. We express no opinion as to the applicability or effect of, or compliance with, any provision of any federal or state securities laws.

K. In rendering the foregoing opinion, we have relied upon the opinions, dated today, of Anne McNamara, Esq., General Counsel of the Company and AMR, as to all matters contained therein. To the extent of such reliance, our opinion is subject to the same assumptions, qualifications and limitation as are contained therein. We express no opinion as to the laws of any jurisdiction other than the laws of the State of New York and the Federal laws of the United States of America, in each case that in our experience are generally applicable to transactions of this type. In particular (and without limiting the generality of the foregoing) we express no opinion as to the laws of any country (other than the Federal laws of the United States of America) or as to the effect of such laws (whether limiting, prohibitive or otherwise) on any of the rights or obligations of the Company or AMR or of any other party to or beneficiary of any of the Company Documents and AMR Documents. We have assumed, with your permission, that the execution and delivery of each of the Company Documents and AMR Documents by each of the parties thereto and the performance of their respective obligations thereunder will not violate any fundamental public policy under applicable law (other than the laws of the State of New York and Federal laws of the United States of America).

Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. This opinion is given as of the date hereof, and we assume no obligation to advise you of facts,

circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinion expressed herein.

The opinions expressed herein are solely for your benefit and, without our prior consent, neither our opinion nor this opinion letter may be relied upon by any other person.

Very truly yours,

Schedule I

Schedule of Recipients

The Port Authority of New York and New Jersey
New York City Industrial Development Agency
Salomon Smith Barney Inc., as Senior Managing Underwriter
of the several Underwriters
The Bank of New York, as Trustee

EXHIBIT K

Additional Bonds Covenant Certificate

To: The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

Pursuant to the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002 (the "Consent Agreement") by and among American Airlines, Inc. (the "Lessee"), AMR Corporation, the New York City Industrial Development Agency (the "IDA"), The Bank of New York and The Port Authority of New York and New Jersey (the "Port Authority"), the Lessee hereby covenants and certifies to the Port Authority (all terms of special meaning used herein having the meanings ascribed to such terms in or pursuant to the Consent Agreement), that:

(a) On _____, the $ _____ Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) Series _____ of the IDA (the "Series _____ Bonds") were issued, executed, authenticated and delivered.

(b) The Series _____ Bonds were issued, executed, authenticated and delivered under and pursuant to:

(1) the Master Indenture, as amended and supplemented by the Series_____ Supplemental Indenture;

(2) the IDA Sublease, as amended by the IDA Sublease Amendments; and

(3) the _____ Additional Bond Resolutions.

(c) The Additional Documents attached hereto and hereby made a part hereof, are consistent in form and substance with the Forms of Additional Documents, subject only to such changes as have been necessary to fix and determine the Financial Terms of the Series _____ Bonds and, do not violate any of the Financing Documents or any agreement relating to the Financing Transaction or the Lease or the Consent Agreement.

[List Documents Attached]

[Signature Block]

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

_____ SERIES SUPPLEMENTAL INDENTURE OF TRUST

Dated as of _____

$_____
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 200__
(American Airlines, Inc. John F. Kennedy International Airport Project)

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_____ SERIES SUPPLEMENTAL INDENTURE OF TRUST

THIS _____ SERIES SUPPLEMENTAL INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof (this "_____ Series Supplemental Indenture"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a New York banking corporation, authorized to accept and execute trusts of the character herein set out, as Trustee under this _____ Series Supplemental Indenture (the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the Agency and the Trustee have entered into a Master Indenture of Trust, dated as of _____ (the "Master Indenture"); and

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of a Series of Bonds pursuant to a Series Supplemental Indenture entered into in accordance with the Master Indenture; and

WHEREAS, the Lessee has requested the Agency to issue its Bonds under the Master Indenture to finance a portion of the costs of the Project; and

WHEREAS, the Agency has authorized the issuance of its Special Facility Revenue Bonds, Series 200__ (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 200__ Bonds") in the aggregate principal amount of $_____ pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and a bond resolution adopted by the Agency on _____, the Master Indenture and this _____ Series Supplemental Indenture to provide funds for a portion of the costs of the Project, including incidental and related costs, to pay the costs and expenses of the issuance of the Series 200__ Bonds and to fund a debt service reserve fund; and

WHEREAS, the Series 200__ Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the following form, with necessary and appropriate variations, omissions, substitutions and insertions as permitted or required by this _____ Series Supplemental Indenture, to wit:

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS SERIES 200__ BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS SERIES 200__ BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS SERIES 200__ BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS SERIES 200__ BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY SERIES 200__ BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

No. R-Number~ $Dollar~

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
SPECIAL FACILITY REVENUE BOND, SERIES 200__
(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)

[FOR USE WHEN SERIES 200__ BONDS ARE IN CERTIFICATED FORM]
FOR BOND INTEREST TERM RATE PERIOD ONLY

INTEREST RATE (%)	FIRST DAY OF BOND INTEREST TERM AND INTEREST ACCRUAL DATE:	FIRST DAY OF NEXT BOND INTEREST TERM AND INTEREST PAYMENT DATE:	INTEREST DUE ON NEXT INTEREST PAYMENT DATE:	NUMBER OF DAYS IN BOND INTEREST TERM

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: Amount~ DOLLARS
CUSIP NUMBER: _____
MATURITY DATE: _____ 1, 20__

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of _____ between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a _____ Series Supplemental Indenture (the "_____ Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of _____, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as heretofore supplemented and as supplemented by the _____ Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture." All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 200__ Bond and the issue of which it is a part shall initially bear interest at a _____ Interest Rate of _____% per annum for a _____ Interest Rate Period commencing on the date of issuance of such Series 200__ Bonds [and ending _____]. The principal of and premium (if any) on this Series 200__ Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 200__ Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 200__ Bond shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 200__ Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 200__ Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 200__ Bonds bearing interest at other than a Bond Interest Term

Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 200__ Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 200__ Bond shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 200__ Bonds. Payment of the principal of, Redemption Price and Sinking Fund Installments, if any of and interest on this Series 200__ Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 200__ Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 200__ Bond to the contrary, so long as this Series 200__ Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on this Series 200__ Bond.

THIS SERIES 200__ BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS SERIES 200__ BOND BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

This Series 200__ Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 200__ (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 200__ Bonds") issued in the aggregate principal amount of $_____. The Series 200__ Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on _____, 200__ authorizing the issuance of the Series 200__ Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of

lease dated as of August 1, 1976 as amended and restated in an Agreement of Lease dated December 22, 2000, as amended (collectively the "PA Lease"). The Lessee and the Agency have entered into a Company Sublease Agreement, dated as of July 1, 2002 (the "Company Sublease"), pursuant to which the Lessee will sub-sublease to the Agency certain real property and improvements to be made or acquired on the Project Premises (the "Leased Facilities") pursuant to the PA Lease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease to the Lessee certain Leased Facilities, and lease to the Lessee the certain systems, machinery, equipment and other tangible personal property (the "Facility Equipment") to be acquired by the Agency on behalf of the Lessee and installed as part of the Project, such improvements, machinery, equipment and tangible personalty to be financed in whole or in part with the proceeds of the Series 200__ Bonds, the Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) the Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project), and the Special Facility Revenue Bonds, Series 20__ (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency and Additional Bonds issued under the Indenture. The Leased Facilities and the Facility Equipment financed in part by the Series 200__ Bonds are referred to collectively herein as the "Facility". The IDA Lease Agreement requires the payment of rentals sufficient to provide for the payment of the principal, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Series 200__ Bonds, together with certain other fees and expenses, as the same become due. Pursuant to the Indenture the Agency has the right to issue one or more Series of Additional Bonds to finance Project Costs.

Special Obligation. This Series 200__ Bond and the issue of which it is a part are special obligations of the Agency payable as to principal, redemption premium, if any, and interest solely from, and secured by a pledge of certain of, the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement, the moneys and securities held in certain funds and accounts established under the Indenture (subject to disbursements therefrom in accordance with the provisions of the Indenture), a Guaranty from the Lessee to the Trustee and a Guaranty from AMR Corporation ("AMR") to the Trustee (collectively the "Guaranty"), and an Equipment Security Agreement from the Agency and the Lessee to the Trustee (the "Equipment Security Agreement"). Payments of amounts due under the Guaranty will be secured by a Leasehold Mortgage and Security Agreement from the Lessee to the Trustee and consented to by the Agency (the "Leasehold Mortgage"). Notwithstanding any other provision herein to the contrary, the Leasehold Mortgage shall not attach, and neither the Leasehold Mortgagee nor the Bondholders shall have any rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and any rights under the Leasehold Mortgage shall not be exercisable until the Reletting Rights Effective Date. In addition to the foregoing, the Series 200__ Bonds will be secured by a pledge and assignment of the Agency's non-possessory right, title and interest in and to the IDA Lease Agreement (exclusive of the Agency's Reserved Rights), as provided in the Indenture. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement, or otherwise default under the IDA Lease Agreement, and the Guarantor shall fail to satisfy its obligations under the Guaranty and, as a result thereof, the principal of the Series 200__ Bonds is declared or becomes due and payable, except as provided in the Equipment Security Agreement and the Leasehold Mortgage, none of the Agency, the Trustee or any holders of Series 200__ Bonds shall have any rights or remedies with respect to the Facility and such rights and remedies shall be limited as set

forth in Section 8.12 of the Indenture and in the Leasehold Mortgage. Except as provided in the Equipment Security Agreement, the Series 200__ Bonds are not secured by any lien on or security interest or other interest in the property comprising the Facility or any part thereof or by any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

Each Series of Bonds including the Series 200__ Bonds issued pursuant to the Indenture shall, except as provided in any Series Supplemental Indenture relating thereto, be secured on a parity basis with all other Series of Bonds, if any, issued pursuant to the Indenture without preference, priority or distinction of any Bond over any other Bonds except as provided in the Indenture.

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among

other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Interest Rate Periods and Accrual of Interest on the Series 200__ Bonds. The term of the Series 200__ Bonds will be divided into consecutive Interest Rate Periods during each of which the Series 200__ Bonds shall bear interest at a Daily Interest Rate (a *"Daily Interest Rate Period"*), a Weekly Interest Rate (a *"Weekly Interest Rate Period"*), a Long-Term Interest Rate (a *"Long-Term Interest Rate Period"*), or Bond Interest Term Rates for one or more consecutive Bond Interest Terms (a *"Bond Interest Term Rate Period"*). The initial Interest Rate Period for this Series 200__ Bond shall be a _____ Rate Period [ending _____]. The interest rate on the Series 200__ Bonds may be adjusted from time to time from one Interest Rate Period to another and thereafter again adjusted under the circumstances described and permitted in the _____ Series Supplemental Indenture. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the _____ Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 200__ Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 200__ Bonds shall be in default, Series 200__ Bonds issued in exchange for Series 200__ Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 200__ Bonds, or if no interest has been paid on the Series 200__ Bonds, from the date of the first authentication of Series 200__ Bonds under the Indenture.

Interest Payment Date. During any Daily Interest Rate Period, interest on this Series 200__ Bond shall be payable on each Interest Payment Date (as defined in the _____ Series Supplemental Indenture) for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. During any Weekly Interest Rate Period, interest on this Series 200__ Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). During any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on this Series 200__ Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 200__ Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in

full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

Denominations. The Series 200__ Bonds shall be issued in the form of fully registered Bonds in the denominations of (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 200__ Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P and (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 200__ Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period (the *"Authorized Denominations"*).

No holder of a Series 200__ Bond shall be paid interest for any period at a rate higher than the "Maximum Rate," which is defined in the _____ Series Supplemental Indenture as the lesser of (i) 25% per annum, (ii) with respect to Series 200__ Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof or (iii) the maximum rate permitted by law.

Tender and Purchase

Optional Tender for Purchase of Series 200__ Bonds During a Daily Interest Rate Period or Weekly Interest Rate Period. The Series 200__ Bonds are subject to optional tender for purchase by the owner hereof during a Daily Interest Rate Period and a Weekly Interest Rate Period upon the terms and conditions set forth in the _____ Series Supplemental Indenture.

Mandatory Tender for Purchase of Series 200__ Bonds on the Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period. The Series 200__ Bonds are subject to mandatory tender for purchase on the day next succeeding the last day of each Bond Interest Term for the Series 200__ Bonds, unless such day is the Maturity Date or the first day of a new Interest Rate Period.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 200__ Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period if one of the conditions precedent to the adjustment to a new Interest Rate Period has not been met as described in the _____ Series Supplemental Indenture.

Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of a Credit Facility. The Series 200__ Bonds are subject to mandatory tender for purchase on the fifth calendar day preceding certain events relating to the termination, expiration, or replacement of a Credit Facility then in effect then securing the Series 200__ Bonds as described in the _____ Series Supplemental Indenture.

Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement. While the Series 200__ Bonds bear interest at the Daily Interest Rate or Weekly

Interest Rate, the Series 200__ Bonds are subject to mandatory tender for purchase on the fifth Business Day following receipt by the Trustee of notice from the Credit Facility Provider which has issued a Credit Facility then securing the Series 200__ Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 200__ Bonds and directing the mandatory purchase of the Series 200__ Bonds, all as provided for, and subject to the terms and provisions of, the _____ Series Supplemental Indenture.

Mandatory Tender for Failure of the Credit Facility Provider to Reinstate Interest. In the event any Credit Facility shall be in effect with respect to the Series 200__ Bonds, the Series 200__ Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility, the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated.

Redemption of Series 200__ Bonds

Optional Redemption During the Daily Interest Rate Period and the Weekly Interest Rate Period. During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 200__ Bonds are subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 200__ Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During a Bond Interest Term Rate Period. On the day succeeding the last day of any Bond Interest Term with respect to any Series 200__ Bond, such Series 200__ Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 200__ Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During Initial Long-Term Interest Rate Period. The Series 200__ Bonds shall be subject to redemption in whole or in part prior to maturity on or after _____ 1, _____ at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 200__ Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices
[to be completed]	

Optional Redemption During a Long-Term Interest Rate Period Other Than Initial Long-Term Interest Rate Period. During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 200__ Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 200__ Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or such other periods as may be permitted in accordance with the _____ Series Supplemental Indenture) the Series 200__ Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as percentages of principal amount) hereinafter indicated (or such other Redemption Prices as may be specified in accordance with the _____ Series Supplemental Indenture), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES
[to be completed]	

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 200__ Bonds. The Series 200__ Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Lessee shall have delivered to the Agency and the Trustee an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 200__ Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 200__ Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 200__ Bonds in the amount set forth in such opinion (but in no

smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Optional Redemption Without Premium. The Series 200__ Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 200__ Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 200__ Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 200__ Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 200__ Bonds)

approximately equal to the Release Price. The Redemption Price of any Series 200__ Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 200__ Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 200__ Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Sinking Fund Redemption. The Series 200__ Bonds will be subject to redemption by lot in such manner as the Trustee determines on _____ 1 of each year, beginning _____ 1, _____, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

_____ 1 of the year	Principal Amount

[to be completed]

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* Final Maturity

The principal amount of the Series 200__ Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 200__ Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 200__ Bonds or the Lessee of a Determination of Taxability. All of the Series 200__ Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 200__ Bonds would have the result that interest payable on the remaining Series 200__ Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 200__ Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 200__ Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 200__ Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 200__ Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 200__ Bonds, the affected Series 200__ Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 200__ Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 200__ Bonds to be redeemed shall be selected in accordance with the Indenture. Notwithstanding anything in the Indenture to the contrary, if there shall have occurred and be continuing an Event of Default with respect to the Series 200__ Bonds under the Indenture, there shall be no redemption of less than all of the Series 200__ Bonds Outstanding.

Notice of Redemption or Tender. Notice of optional or mandatory redemption of the Series 200__ Bonds or any principal portion thereof, or optional or mandatory tender of the Series 200__ Bonds, shall be given as provided in the Indenture and the _____ Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 200__ Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 200__ Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal

amount of registered Series 200__ Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 200__ Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 200__ Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 200__ Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 200__ Bond, exist, have happened and have been performed, and that the issuance of this Series 200__ Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 200__ Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 200__ Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 200__ Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 200__ Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs all as of _____.

NEW YORK CITY
INDUSTRIAL DEVELOPMENT
AGENCY

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 200__ Bonds described in the within mentioned _____ Series Supplemental Indenture.

The Bank of New York, as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

THIS _____ SERIES SUPPLEMENTAL INDENTURE OF TRUST FURTHER WITNESSETH that this _____ Series Supplemental Indenture of Trust is supplemental to, and is entered into in accordance with the Indenture, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time, of the Series 200__ Bonds or any part thereof, as follows, that is to say:

ARTICLE I.

DEFINITIONS

SECTION 1.01. Definitions. Terms not otherwise defined herein shall have the same meanings as (i) used in Appendix A hereto and made a part hereof or (ii) set forth in Appendix A to the Master Indenture.

SECTION 1.02. Construction. In this _____ Series Supplemental Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this _____ Series Supplemental Indenture, refer to the entire _____ Series Supplemental Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this _____ Series Supplemental Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this _____ Series Supplemental Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this _____ Series Supplemental Indenture, nor shall they affect its meaning, construction or effect.

ARTICLE II.

AUTHORIZATION AND ISSUANCE OF SERIES 200__ BONDS

SECTION 2.01. Authorization of Series 200__ Bonds, Principal Amount, Designation and Series. A Series of Bonds entitled to the benefit, protection and security of the Indenture is hereby authorized to be issued in an aggregate principal amount not to exceed $_____. Such Series shall be designated as and shall be distinguished from the Bonds of all other Series by the title "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 200__ (American Airlines, Inc. John F. Kennedy International Airport

Project)" pursuant to and subject to the terms, conditions and limitations established in the Indenture.

SECTION 2.02. Purposes. The purposes for which the Series 200__ Bonds are being issued are to make a deposit to the Series 200__ Construction Account of the Project Fund to pay a portion of the Project Costs, including certain Costs of Issuance relating to the Series 200__ Bonds, [to make a deposit to the Capitalized Interest Account] and to make a deposit to the Series 200__ Debt Service Reserve Account in an amount equal to the Series 200__ Debt Service Reserve Account Requirement.

SECTION 2.03. The Series 200__ Bonds. (a) The Series 200__ Bonds initially shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 200__ Bonds and the Series 200__ Bonds shall be registered to Cede & Co., as nominee of the Depository. While the Series 200__ Bonds are Book-Entry Bonds, the Series 200__ Bonds shall not be registered as transferred or exchanged except as provided in Section 3.12 of the Indenture. The owners of beneficial interests in the Series 200__ Bonds shall not have any right to receive Series 200__ Bonds in the form of physical certificates so long as the book entry system is in effect with respect to the Series 200__ Bonds.

The Series 200__ Bonds shall mature, subject to prior redemption upon the terms and conditions hereinafter set forth, as set forth below:

Principal Amount	Maturity Date

[to be completed]

(b) Each Series 200__ Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date to which interest on the Series 200__ Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 200__ Bonds, from such date of authentication; *provided, however,* that if, as shown by the records of the Bond Registrar, interest on the Series 200__ Bonds shall be in default, Series 200__ Bonds issued in exchange for Series 200__ Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 200__ Bonds or, if no interest has been paid on the Series 200__ Bonds, from the date of the first authentication of Series 200__ Bonds hereunder. For any Daily Interest Rate Period, interest on the Series 200__ Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For any

Weekly Interest Rate Period, interest on the Series 200__ Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on the Series 200__ Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 200__ Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 200__ Bonds shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed.

Subject to Section 3.12 of the Indenture relating to Bonds held in the book entry system, the principal of and redemption premium (if any) on, the Series 200__ Bonds (including Redemption Price and Sinking Fund Installments, if any) shall be payable in such lawful money of the United States of America as, at the respective time of payment, shall be legal tender for the payment of public and private debts, to the holders of the Series 200__ Bonds upon presentation and surrender of such Series 200__ Bonds at the principal corporate trust office of the Paying Agent. Interest on all Series 200__ Bonds shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 200__ Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 200__ Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 200__ Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, wire transfer instructions to the Paying Agent, interest payable on such Series 200__ Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 200__ Bonds shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 200__ Bonds. Payment of the Purchase Price of the Series 200__ Bonds shall be in lawful money of the United States of America made payable to the holder thereof upon presentation and surrender of the Series 200__ Bonds at the principal corporate trust office of the Tender Agent. Notwithstanding any other provision of the Series 200__ Bonds to the contrary, so long as the Series 200__ Bonds shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for the Series 200__ Bonds, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Redemption Price, if any, Purchase Price of and interest on the Series 200__ Bonds.

If and to the extent, however, that the Agency fails to make payment or provision for payment of interest on any Series 200__ Bond on any Interest Payment Date, interest shall continue to accrue thereon but shall cease to be payable to the holder of that Series 200__ Bond as of the applicable Record Date. When moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 8.03 of the Indenture, establish a Special Record Date for the payment of that interest which Special Record Date shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Bond Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each holder not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable as provided herein to the holders of the Series 200__ Bonds as of the Special Record Date at the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Registrar by the Lessee, or in the event the Lessee fails to provide such notice, by the Trustee.

The person in whose name any Series 200__ Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date.

(c) In the manner hereinafter provided, the term of the Series 200__ Bonds will be divided into consecutive Interest Rate Periods during each of which all of the Series 200__ Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate; *provided, however,* that at any time, all Series 200__ Bonds shall bear interest in the same Interest Rate Period. No holder of a Series 200__ Bond shall be paid interest for any period at a rate higher than the Maximum Rate. The first Interest Rate Period shall commence on the date of issuance of the Series 200__ Bonds and shall be a Long-Term Interest Rate Period. Upon the date of issuance of the Series 200__ Bonds, the the Series 200_ Bonds shall [insert rate, type and period].

Series 200__ Bonds issued prior to the first Interest Payment Date thereon shall be dated _____ and Series 200__ Bonds issued on or subsequent to the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the Series 200__ Bonds has been paid in full or duly provided for, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Series 200__ Bonds shall be in default, Series 200__ Bonds issued in exchange for Series 200__ Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Series 200__ Bonds surrendered. The Series 200__ Bonds, the certificate of authentication to be endorsed thereon and the form of assignment to be included therein shall be substantially in the forms described in the recitals hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this _____ Series Supplemental Indenture. The Series 200__ Bonds shall be numbered consecutively from R-1 upwards in order of issuance according to the records of the Bond Registrar.

SECTION 2.04. Interest Rate Determination Methods. (a) (i) *Determination of Weekly Interest Rate.* During each Weekly Interest Rate Period, the Series 200__ Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 4:30 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on (and including) the first day of such Weekly Interest Rate Period and ending on (and including) the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on (and including) Wednesday and ending on (and including) the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on (and including) the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on (and including) the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 200__ Bonds, would enable the Remarketing Agent to sell the Series 200__ Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available, for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

(ii) *Adjustment to Weekly Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 200__ Bonds shall bear interest at a Weekly Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Weekly Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 200__ Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders are required to deliver such Series 200__ Bonds to be purchased (if other than such effective date).

In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of notice to be mailed to the holders of the Series 200__ Bonds by the Bond Registrar as provided in Section 2.04(a)(iii). During each Weekly Interest Rate Period commencing on (and including) a date so specified and ending on (and including) the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 200__ Bonds shall be a Weekly Interest Rate.

(iii) *Notice of Adjustment to Weekly Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the holders of the Series 200__ Bonds, not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 200__ Bonds will be adjusted to a Weekly Interest Rate (unless a Favorable Opinion of Bond Counsel is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 200__ Bonds, if being adjusted from a Daily Interest Rate Period or a Bond Interest Term Period, shall continue to bear interest at the Daily Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 200__ Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 200__ Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of the period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Weekly Interest Rate Period, (3) that the Series 200__ Bonds are subject to mandatory tender for purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 200__ Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this _____ Series Supplemental Indenture.

(b) (i) *Determination of Long-Term Interest Rate.* During a Long-Term Interest Rate Period, the Series 200__ Bonds shall bear interest at the Long-Term Interest Rate. The Long-Term Interest Rate for the Series 200__ Bonds shall be determined by the Remarketing Agent on a Business Day no later than 10:00 a.m., New York City time, on the effective date of such Long-Term Interest Rate Period with respect to the Series 200__ Bonds. The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate, if any, at which the Remarketing Agent would agree to purchase the Series 200__ Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof; provided however that with a Favorable Opinion of Bond Counsel, the Series 200__ Bonds being converted to a Long-Term Interest Rate Period that ends on the day prior to maturity of the Series 200__ Bonds may be sold at a discount. If the Remarketing Agent fails to establish a Long-Term Interest Rate for any Long-Term Interest Rate Period on or prior to the first day of such Long-Term Interest Rate Period, then the Series 200__ Bonds shall bear interest at a Weekly Interest Rate determined in accordance with Section 2.04(a)(i). In the event that the Lessee shall specify a Long-Term Interest Rate Period of one year or greater, then the Credit Facility (if any) shall be terminated as to the Series 200__ Bonds during such Long-Term Interest Rate Period.

(ii) *Adjustment to or Continuation of Long-Term Interest Rate.* (A) At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, if any, the Paying Agent, the Credit Facility Provider, if any, and the Remarketing Agent, if any, may elect, subject to Section 2.04(h), that the Series 200__ Bonds shall bear, or continue to bear, interest at a Long-Term Interest Rate. Such direction of the Lessee (1) shall specify the duration of the Long-Term Interest Rate Period during which the Series 200__ Bonds shall bear interest at a Long-Term Interest Rate; (2) shall specify the effective date of such Long-Term Interest Rate Period, which date shall be (x) a Business Day not earlier than the 30th day following the third Business Day after receipt by the Bond Registrar of such direction, (y) in the case of an adjustment from a Long-Term Interest Rate Period to another Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 200__ Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (z) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; (3) shall specify the last day of such Long-Term Interest Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); (4) shall specify a date on or prior to which holders are required to deliver such Series 200__ Bonds to be purchased (if other than such effective date); (5) if approved by a Favorable Opinion of Bond Counsel, may specify any redemption periods and prices that differ from those set forth in Section 2.06 (a)(iii); and (6) if such Long-Term Interest Rate Period is for a period of one year or more, and a Credit Facility is in effect prior to the commencement of such Long-Term Interest Rate Period, such direction shall direct the Trustee to terminate such Credit Facility then in effect after the effective date of such Long-Term Interest Rate Period then to be commenced.

(B) Such direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of the notice to be mailed by the Bond Registrar to the holders of the Series 200__ Bonds as provided in Section 2.04(b)(iii).

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Interest Rate Period, the Bond Registrar shall not have received notice of the Lessee's election that, during the next succeeding Interest Rate Period, the Series 200__ Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate, or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Long-Term Interest Rate Period of 367 days, unless the immediately preceding Long-Term Interest Rate Period was a period not exceeding one year, in which case the next succeeding Interest Rate Period will be a Long-Term Interest Rate Period of the same length as such immediately preceding Long-Term Interest Rate Period, until such time as the interest rate on the Series 200__ Bonds shall be adjusted to a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as provided in Section 2.04 and the Series 200__ Bonds shall be subject to mandatory purchase as provided in Section 2.05(c) on the first day of such Long-Term Interest Rate Period.

(D) In the event that the Lessee shall deliver to the Bond Registrar, the Remarketing Agent, the Tender Agent, the Credit Facility Provider, if any, and the Trustee on or

prior to the date that the interest rate for any Long-Term Interest Rate Period is determined a notice to the effect that the Lessee elects to rescind its election to have the Series 200__ Bonds bear interest at a Long-Term Interest Rate, then the interest rate on the Series 200__ Bonds shall not be adjusted to a Long-Term Interest Rate, and the Series 200__ Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect prior to such event, or if the Series 200__ Bonds were to be adjusted from a Long-Term Interest Rate, then the Series 200__ Bonds shall bear interest at Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), with such period to commence on the date which would have been the effective date of such Long-Term Interest Rate Period, and the Series 200__ Bonds shall continue to be subject to mandatory purchase as provided in Section 2.05(c) on the day which would have been the effective date of such Long-Term Interest Rate Period.

(iii) *Notice of Adjustment to or Continuation of Long-Term Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a (or the establishment of another) Long-Term Interest Rate Period to the holders of the Series 200__ Bonds not less than 30 days prior to the effective date of such Long-Term Interest Rate Period. Such notice shall state: (1) that the interest rate on the Series 200__ Bonds shall be adjusted to, or continue to be, a Long-Term Interest Rate unless (x) a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent, such Favorable Opinion of Bond Counsel on the effective date of such adjustment, or (y) the Lessee shall elect, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause the adjustment of the interest rate on the Series 200__ Bonds to a Long-Term Interest Rate, in which case the Series 200__ Bonds, if being adjusted from a Daily Interest Rate Period, or a Weekly Interest Rate Period or a Bond Interest Term Rate Period, shall continue to bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 200__ Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 200__ Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) the scheduled effective date and the last day of such Long-Term Interest Rate Period, (3) that the Series 200__ Bonds are subject to mandatory tender for purchase on such scheduled effective date and the Purchase Price applicable thereto, (4) if approved by a Favorable Opinion of Bond Counsel, any redemption periods and prices specified by the Lessee that differ from those set forth in Section 2.06 (a)(iii), (5) if the Series 200__ Bonds are secured by a Credit Facility immediately prior to such effective date and such Long-Term Interest Rate Period is a period of one year or more, that the Credit Facility applicable to the Series 200__ Bonds will be terminated as of the effective date of such new Long-Term Interest Rate Period then commencing and the ratings applicable to the Series 200__ Bonds after the termination of such Credit Facility, or that no such ratings have been obtained and (6) if the Series 200__ Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to the required delivery of bond certificates and payment of Purchase Price under Section 2.05(g) of this _____ Series Supplemental Indenture.

(iv) *Adjustment from Long-Term Interest Rate Period.* In addition to an adjustment from a Long-Term Interest Rate Period on the day immediately following the last day of the Long-Term Interest Rate Period, at any time during a Long-Term Interest Rate Period (subject to the provisions in this paragraph (iv)), including a Long-Term Interest Rate Period

extending to the Maturity Date, the Lessee may elect, subject to Sections 2.04(g) and 2.04(h), that the Series 200__ Bonds no longer shall bear interest at a Long-Term Interest Rate and shall instead bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or a new Long-Term Interest Rate, as specified in such election. In the notice of such election, the Lessee shall also specify the effective date of the new Interest Rate Period, which date shall be (1) a Business Day no earlier than the 15th day after the third Business Day following the date of receipt by the Bond Registrar of the notice of election from the Lessee or, in the case of adjustment to a new Long-Term Interest Rate Period, the 30th day following the date of receipt by the Bond Registrar of such notice and (2) a day on which the Series 200__ Bonds shall be subject to optional redemption in accordance with Section 2.06 (a)(iii). Such notice shall also (i) describe the Credit Facility, if any, in effect or to be in effect upon such adjustment from a Long-Term Interest Rate Period and identify the provider of such Credit Facility, (ii) state the date of termination or expiration of such Credit Facility, and the date of the proposed provision of such Credit Facility (which shall be on or prior to the date of such adjustment) if no Credit Facility for the Interest Rate Period following such Long-Term Interest Rate Period already is in effect and (iii) specify the ratings, if any, to be applicable to the Series 200__ Bonds after such adjustment or state that no ratings will be assigned to the Series 200__ Bonds subsequent to such adjustment. The Series 200__ Bonds shall be subject to mandatory tender for purchase on the scheduled effective date of the new Interest Rate Period in accordance with Section 2.05(c), at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would be applicable on that date.

(c) (i) *Determination of Bond Interest Terms and Bond Interest Term Rates.* (A) During each Bond Interest Term Rate Period, each Bond shall bear interest during each Bond Interest Term for such Series 200__ Bond at the Bond Interest Term Rate for such Bond. The Bond Interest Term and the Bond Interest Term Rate for each Series 200__ Bond need not be the same for any two Series 200__ Bonds, even if determined on the same date. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. Each Bond Interest Term for each Bond shall be a period of not less than one day nor more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Series 200__ Bonds then outstanding, will result in the lowest overall interest expense on the Series 200__ Bonds, taking into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 200__ Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Series 200__ Bonds, (VI) the Bond Interest Terms of other Series 200__ Bonds and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Any Series 200__ Bond purchased on behalf of the Lessee and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for that Series 200__ Bond shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall commence on a Business Day and end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date, but in no event

shall any Bond Interest Term extend beyond the day which is three Business Days prior to the Stated Expiration Date of the Credit Facility. If for any reason a Bond Interest Term for any Series 200__ Bond cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the last day so determined shall not be a day immediately preceding a Business Day, such Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, such Bond Interest Term shall end on the day immediately preceding the Maturity Date.

(B) The Bond Interest Term Rate for each Bond Interest Term for each Series 200__ Bond shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such Bond, would enable the Remarketing Agent to sell such Series 200__ Bond on the date and at the time of such determination at a price (without regard to accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Series 200__ Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 75% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and with maturities most nearly equal to the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

(ii) *Adjustment to Bond Interest Term Rates.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Credit Facility Provider, the Bond Registrar, the Tender Agent, the Paying Agent and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 200__ Bonds shall bear interest at Bond Interest Term Rates, *provided that* the Credit Facility then in effect or to be in effect on the effective date of the Bond Interest Term Rate Period has an interest component of at least 180 days of interest coverage. Such direction of the Lessee shall specify (1) the effective date of the Bond Interest Term Rate Period (during which the Series 200__ Bonds shall bear interest at Bond Interest Term Rates), which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 200__ Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur; *provided that*, if prior to the Lessee's making such election any Series 200__ Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Bond Interest Term Rate Period shall not precede such redemption date; and (C) in the case of an adjustment from a Daily Interest Rate Period or a Weekly Interest Rate Period, the day immediately following the last day of such Interest Rate Period; and (2) the date on which holders of Series 200__ Bonds are required to deliver such Series 200__ Bonds for purchase (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and a form of the notice to be mailed by the Bond Registrar to the holders of the Series 200__ Bonds

as provided in Section 2.04(c)(iii). During each Bond Interest Term Rate Period commencing on the date so specified and ending, with respect to each Series 200__ Bond, on the day immediately preceding the effective date of the next succeeding Interest Rate Period with respect to such Series 200__ Bond, each Series 200__ Bond shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Series 200__ Bond.

(iii) *Notice of Adjustment to Bond Interest Term Rates.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Bond Interest Term Rate Period to the holders of the Series 200__ Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Bond Interest Term Rate Period. Such notice shall state (1) that the Series 200__ Bonds shall bear interest at Bond Interest Term Rates unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 200__ Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 200__ Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 200__ Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) that during such Bond Interest Term Rate Period, each Bond will have one or more consecutive Bond Interest Terms during each of which such Bond will bear a Bond Interest Term Rate, (3) the scheduled effective date of such Bond Interest Term Rate Period, (4) that the Series 200__ Bonds are subject to mandatory tender for purchase on such scheduled effective date of such Bond Interest Term Rate Period and setting forth the Purchase Price applicable thereto and (5) if the Series 200__ Bonds are no longer Book-Entry Bonds, information with respect to the required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g).

(iv) *Adjustment from Bond Interest Term Rate Period.* At any time during a Bond Interest Term Rate Period, the Lessee may elect, pursuant to Section 2.04(a)(ii), 2.04(b)(ii) or 2.04(d)(ii) (and with the notice provided in such Sections), but subject to Section 2.04(h), that the Series 200__ Bonds no longer shall bear interest at Bond Interest Term Rates and shall instead bear interest at a Weekly Interest Rate, a Long-Term Interest Rate or a Daily Interest Rate, as specified in such election.

The date on which all Bond Interest Terms determined shall end shall be the last day of the then-current Bond Interest Term Rate Period and the day next succeeding such date shall be the effective date of the Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period elected by the Lessee.

(d) (i) *Determination of Daily Interest Rate.* During each Daily Interest Rate Period, the Series 200__ Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 200__ Bonds, would enable the Remarketing

Agent to sell the Series 200__ Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided herein for such Daily Interest Rate Period.

(ii) *Adjustment to Daily Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 200__ Bonds shall bear interest at a Daily Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Daily Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 200__ Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders of Series 200__ Bonds are required to deliver such Series 200__ Bonds to be purchased (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) and by a form of notice to be mailed to the holders of the Series 200__ Bonds by the Bond Registrar as provided in Section 2.04(d)(iii). During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period or the Maturity Date, the interest rate borne by the Series 200__ Bonds shall be a Daily Interest Rate.

(iii) *Notice of Adjustment to Daily Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the holders of the Series 200__ Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Daily Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 200__ Bonds will be adjusted to a Daily Interest Rate (unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 200__ Bonds, if being adjusted from a Weekly Interest Rate Period or a Bond Interest

Term Rate Period, shall continue to bear interest at the Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 200__ Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 200__ Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Daily Interest Rate Period, (3) that the Series 200__ Bonds are subject to mandatory tender for purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 200__ Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this _____ Series Supplemental Indenture.

(e) The determination of the Daily Interest Rate, Weekly Interest Rate and Long-Term Interest Rate and each Bond Interest Term and Bond Interest Term Rate by the Remarketing Agent, shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Bond Registrar, the Tender Agent, the Authenticating Agent, the Agency, the Lessee, the Paying Agent, the Credit Facility Provider and the holders of the Series 200__ Bonds.

(f) [Reserved]

(g) In the event that the Lessee shall elect to convert the interest rate on the Series 200__ Bonds to a Weekly Interest Rate, Bond Interest Term Rates, Long-Term Interest Rate or Daily Interest Rate as provided in Sections 2.04(a)(ii), 2.04(b)(ii), 2.04(c)(ii) or 2.04(d)(ii), then the written direction furnished by the Lessee to the Agency, the Trustee, the Credit Facility Provider, if any, the Bond Registrar, the Tender Agent, and the Remarketing Agent, if any, as required by such Sections shall be made by first class mail, or by telex or telecopy, confirmed by first class mail. Any such direction of the Lessee shall specify whether the Series 200__ Bonds are to bear interest at the Weekly Interest Rate, Bond Interest Term Rates, the Long-Term Interest Rate or the Daily Interest Rate and shall be accompanied by a copy of the notice required to be given by the Bond Registrar pursuant to Section 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii) or 2.04(d)(iii), as the case may be.

(h) Notwithstanding anything in this Section 2.04 to the contrary, in connection with any adjustment of the Interest Rate Period on the Series 200__ Bonds, the Lessee shall cause to be provided to the Agency, the Trustee, the Credit Facility Provider, if any, and the Remarketing Agent a Favorable Opinion of Bond Counsel on the effective date of such adjustment if (i) the Series 200__ Bonds have been in an Interest Rate Period not exceeding one year, including a Daily Interest Rate Period, a Weekly Interest Period, or a Bond Interest Term Rate Period, and the Lessee designates an Interest Rate Period exceeding one year or (ii) the Bonds have been in an Interest Rate Period exceeding one year and the Lessee designates an Interest Rate Period not exceeding one year or (iii) Series 200__ Bonds are to be adjusted to a new Long-Term Interest Rate Period on a day on which the Series 200__ Bonds would otherwise be subject to optional redemption pursuant to Section 2.06(a)(iii) hereof. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period on the Series 200__ Bonds shall not be adjusted, and the Series 200__ Bonds shall continue to bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or Long-Term Interest Rates, as the case may be, as in effect immediately prior to such proposed adjustment in the Interest Rate Period; *provided, however,* that in the event that the Series 200__ Bonds are

being adjusted from a Long-Term Interest Rate Period and Bond Counsel fails to deliver such Favorable Opinion of Bond Counsel on the effective date of such adjustment, then the Series 200__ Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C) above. In any event, if notice of such adjustment has been mailed to the owners of the Series 200__ Bonds as provided in Section 2.04 and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein described, the Series 200__ Bonds shall continue to be subject to mandatory purchase on the date which would have been the effective date of such adjustment as provided in Section 2.05.

SECTION 2.05. Purchase of Series 200__ Bonds. (a) *Optional Tender for Purchase During Daily Interest Rate Period or Weekly Interest Rate Period.* (i) During any Daily Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 200__ Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(ii) During any Weekly Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 200__ Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, which states the principal amount of such Series 200__ Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(iii) The Tender Agent shall promptly send a copy of any notice delivered to it pursuant to this Section 2.05(a) by telecopy to the Remarketing Agent and the Credit Facility Provider. On the date for purchase specified in the notice, the beneficial owner shall effect delivery of such Series 200__ Bonds by causing the direct participant through which such

beneficial owner owns such Series 200__ Bonds to transfer its interest in such Series 200__ Bonds, in an amount equal to the principal amount tendered by such beneficial owner, on the records of the Depository for such Series 200__ Bonds to the participant account of the Tender Agent with the Depository by the time specified in (iv) below.

(iv) During any Daily Interest Rate Period or Weekly Interest Rate Period when a book entry system is not in effect, an owner of a Series 200__ Bond may tender the Series 200__ Bond by delivery of the notice described above by the time set forth above and shall also deliver the Series 200__ Bond to the Tender Agent by 12:00 Noon, New York City time, on the date specified for purchase.

(b) *Mandatory Tender for Purchase On Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period.* On the day next succeeding the last day of each Bond Interest Term for a Series 200__ Bond, unless such day is the Maturity Date or the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to Section 2.05(c)), such Series 200__ Bond shall be purchased from its holder at a Purchase Price equal to the principal amount thereof payable in immediately available funds. The Purchase Price of any Bond so purchased shall be payable only upon (i) if a book entry system is not in effect, surrender of such Series 200__ Bond to the Tender Agent at its principal office for delivery of Series 200__ Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Bond to the Tender Agent on the records of the Depository.

(c) *Mandatory Tender for Purchase on First Day of Each Interest Rate Period.* The Series 200__ Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period had one of the events specified in Sections 2.04(b)(ii)(D) or 2.04(h) not occurred which resulted in the interest rate on the Series 200__ Bonds not being adjusted, at a Purchase Price, payable in immediately available funds, equal to the principal amount of the Series 200__ Bonds or, in the case of a purchase on the first day of an Interest Rate Period (including a Long-Term Interest Rate Period) which shall be preceded by a Long-Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would have been applicable to the Series 200__ Bonds on such mandatory purchase date if such preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest if any.

(d) *Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of the Credit Facility.* If at any time the Trustee shall give notice in accordance with Section 3.04 that the Series 200__ Bonds that, at such time, are subject to payment under a Credit Facility then in effect shall on the date specified in such notice cease to be payable from such Credit Facility as a result of (A) the termination or expiration of the term of such Credit Facility, or (B) such Credit Facility being replaced, in either case with the effect that the Series 200__ Bonds are no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained), then on the fifth calendar day preceding any

termination, expiration, or replacement of the Credit Facility, such Series 200__ Bonds shall be purchased or deemed purchased as provided herein. The Purchase Price for such Series 200__ Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(e) *Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement.* When the Series 200__ Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate, all Series 200__ Bonds shall be subject to mandatory tender for purchase on the fifth Business Day (or the next succeeding Business Day if such day is not a Business Day) following receipt by the Trustee of notice from a Credit Facility Provider which has issued a Credit Facility then securing the Series 200__ Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 200__ Bonds and directing the mandatory purchase of the Series 200__ Bonds. The Trustee shall give prompt notice to the Remarketing Agent of receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepaid, to the owners of the Series 200__ Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that an Event of Default has occurred under the Credit Facility Agreement and that the Series 200__ Bonds are subject to mandatory tender for purchase. The Purchase Price for such Series 200__ Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(f) *Mandatory Tender for Failure of Credit Facility Provider to Reinstate Interest.* In the event any Credit Facility shall be in effect with respect to the Series 200__ Bonds, the Series 200__ Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated. The Trustee shall give prompt notice to the Remarketing Agent or receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepared, to the owners of the Series 200__ Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that the interest component of the Credit Facility will not be reinstated and that the Series 200__ Bonds are subject to mandatory tender for purchase. The Purchase Price for the Series 200__ Bond shall be equal to the principal amount thereof, plus accrued interest (if any).

(g) *Notice of Mandatory Tender for Purchase.* In connection with any mandatory tender for purchase of Series 200__ Bonds in accordance with Sections 2.05(c), 2.05(d), 2.05(e) or 2.05(f), the Trustee shall give notice of a mandatory tender for purchase as a part of the notice given pursuant to Sections 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii), 2.04(d)(iii), 2.05(e), 2.05(f) or 3.04. Such notice shall state (A) in the case of a mandatory tender for purchase pursuant to Section 2.05(c), the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase pursuant to Sections 2.05(d) and 3.04 hereof, that the Applicable Credit Facility will expire, terminate, or be replaced and that the Series 200__ Bonds shall no longer be payable from such Credit Facility then in effect and that any rating applicable thereto may be reduced or withdrawn; (C) in the case of a mandatory tender for purchase pursuant to Section 2.05(e), that an Event of Default has occurred under the Applicable Credit Facility Agreement; (D) in the case of a mandatory tender for purchase pursuant to

Section 2.05(f), that the interest component of the Credit Facility will not reinstated; (E) that the Purchase Price of any Series 200__ Bond so subject to mandatory purchase shall be payable only upon (i) if a book entry system is not in effect, surrender of such Bond to the Tender Agent at its principal office for delivery of Series 200__ Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Series 200__ Bond to the Tender Agent on the records of the Depository; (F) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Series 200__ Bonds by the Remarketing Agent or through the Credit Facility (or if such sources are insufficient, through payments by the Lessee or the Guarantor), all Series 200__ Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if any owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase (or if a book entry system is in effect, effect the transfer of ownership rights to the Tender Agent on the records of the Depository) on such mandatory purchase date, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent as described in Article V, then such Series 200__ Bond shall be deemed to be an "Undelivered Bond", and that no interest shall accrue thereon on and after such mandatory purchase date and that the holder thereof shall have no rights under the Indenture other than to receive payment of the Purchase Price thereof; and (G) in the event that moneys sufficient to pay the Purchase Price of such Series 200__ Bonds have not been provided to the Tender Agent, that such Series 200__ Bonds shall not be purchased or deemed purchased and shall continue to bear interest as if such failed purchase shall not have occurred. In connection with any mandatory tender for purchase of Series 200__ Bonds in accordance with Section 2.05(d) as a result of the termination, expiration, or replacement of an Applicable Credit Facility, such notice also shall (W) describe generally the Credit Facility, if any, in effect prior to such termination, expiration, or replacement and the Alternate Credit Facility, if any, in effect or to be in effect upon such termination, expiration, or replacement and identify the provider of such Alternate Credit Facility, (X) state the date of such termination, expiration, or replacement, and the date of the proposed provision of the Alternate Credit Facility, if any, (Y) specify the ratings, if any, to be applicable to such Series 200__ Bonds after such termination, expiration, or replacement of the Credit Facility, or state that no ratings will be assigned to such Series 200__ Bonds subsequent to such termination, expiration, or replacement of the Credit Facility, and (Z) describe any special restrictions or procedures (if any) applicable to the registration of transfer of such Series 200__ Bonds. The Lessee shall provide the Trustee and the Credit Facility Provider with a form of any such notice.

Subject to the provisions of Section 3.12 of the Indenture relating to Bonds held in a book entry system, for payment of the Purchase Price of any Series 200__ Bond required to be purchased pursuant to this Section 2.05 on the date specified, such Series 200__ Bond must be delivered, at or prior to 12:00 Noon, New York City time, on the date specified in such notice, to the Tender Agent at its principal office for delivery of Series 200__ Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed. In the event any such Series 200__ Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 200__ Bond need not be made until the Business Day following the date of delivery of such Series 200__ Bond, but such Series 200__ Bond shall

nonetheless be deemed to be an "Undelivered Bond" and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

(h) *Irrevocable Notice Deemed to be Tender of Bond; Undelivered Series 200__ Bonds.* (i) The giving of notice by an owner of a Series 200__ Bond as provided in Section 2.05(a) shall constitute the irrevocable tender for purchase of each such Series 200__ Bond with respect to which such notice shall have been given, regardless of whether such Series 200__ Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date as provided in Section 2.05, *provided* that moneys sufficient to pay the Purchase Price of such Series 200__ Bonds are on deposit with the Tender Agent for such purpose.

(ii) The Tender Agent may refuse to accept delivery of any Series 200__ Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Series 200__ Bond as herein described. If any holder of a Series 200__ Bond who shall have given notice of tender of purchase pursuant to Section 2.05(a), if a book entry system is not in effect, shall fail to deliver such Series 200__ Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 200__ Bond properly endorsed, or, if a book entry system is in effect, shall fail to cause its beneficial ownership to be transferred to the Tender Agent on the records of the Depository, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent for such purpose, such Series 200__ Bond shall be deemed to be an "Undelivered Bond". If funds in the amount of the Purchase Price of the Undelivered Bonds (including the Undelivered Bonds referred to in Section 2.05(g)) are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the Purchase Price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its principal office for delivery of Series 200__ Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

SECTION 2.06. Redemption Provisions. The Series 200__ Bonds shall be subject to redemption prior to maturity as follows:

(a) Optional Redemption

(i) During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 200__ Bonds shall be subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 200__ Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(ii) On the day succeeding the last day of any Bond Interest Term with respect to any Series 200__ Bond, such Series 200__ Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be

delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 200__ Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(iii) (a) The Series 200__ Bonds shall be subject to redemption in whole or in part on any date prior to maturity on or after _____ 1, _____ at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 200__ Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices

[to be completed]

(b) During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 200__ Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 200__ Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or, if approved by a Favorable Opinion of Bond Counsel as provided in Section 2.04(b)(ii), during the periods specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)) the Series 200__ Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as a percentage of principal amount) hereinafter indicated (or specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES

[to be completed]

(iv) Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 200__ Bonds. In addition, during any Long-Term Interest Rate Period, the Series 200__ Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Lessee shall have delivered to the Trustee and the Agency an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 200__ Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 200__ Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 200__ Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

(v) Extraordinary Optional Redemption Without Premium. The Series 200__ Bonds are further subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

(b) Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 200__ Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with interest accrued to the date of redemption, and without premium.

(c) Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 200__ Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium.

(d) Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 200__ Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The Redemption Price of any Series 200__ Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 200__ Bonds to be redeemed shall be determined by the Lessee.

(e) Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 200__ Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

(f) Mandatory Sinking Fund Redemption. The Series 200__ Bonds will be subject to redemption by lot in such manner as the Trustee determines on _____ 1 of each year, beginning _____ 1, _____, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

_____ 1 of the year	Principal Amount

[to be completed]

* Final Maturity

The principal amount of the Series 200__ Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation in accordance with Sections 5.06(e), (f) and (g) of the Indenture.

(g) Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 200__ Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 200__ Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 200__ Bonds or the Lessee of a Determination of Taxability. Payment of such Redemption Price with respect to the Series 200__ Bonds shall constitute the full and complete payment and satisfaction to the Holders for any claim, damages, costs or expenses arising out of such Determination of Taxability. All of the Series 200__ Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 200__ Bonds would have the result that interest payable on the remaining Series 200__ Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 200__ Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

(h) Redemption of Series 200__ Bonds permitted or required by this Section 2.06 shall be made as follows, and the Trustee shall give the notice of redemption referred to and in accordance with Section 6.03 of the Indenture in respect of each such redemption.

(1) Redemption shall be made pursuant to the optional redemption provisions of Section 2.06(a) hereof at such times as are permitted thereunder and in such principal amounts as the Lessee shall request in a written notice to the Agency and Trustee; and

(2) Redemption shall be made pursuant to the optional redemption provision of Section 2.06(b) and the mandatory redemption provisions of Sections 2.06 (c), (d), (e), (f) and (g) hereof, without the necessity of any instructions or further act of the Agency (other than the determination by the Agency described in Section 2.06(b) hereof) or the Lessee.

(i) Under no circumstances shall the Trustee be required to use any of its own funds to effect any redemption of Series 200__ Bonds.

(j) If all Series 200__ Bonds are redeemed as provided in any of the preceding paragraphs (a) through (g), then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 200__ Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(k) If the lien of the Indenture has been defeased with respect to the Series 200__ Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 200__ Bonds, the Series 200__ Bonds will not be subject to redemption in the manner described above,

except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

SECTION 2.07. Execution of Series 200__ Bonds. The Series 200__ Bonds shall be executed on behalf of the Agency by the manual or facsimile signature of the Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director of the Agency, and the seal of the Agency shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Series 200__ Bonds. In case one or any of the officers who shall have signed or attested the Series 200__ Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series 200__ Bonds so signed and attested shall have been actually issued and delivered, the Series 200__ Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Series 200__ Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Agency nor any person executing the Series 200__ Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 2.08. Authentication. Only such Series 200__ Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Bond in the recitals of this _____ Series Supplemental Indenture, duly executed by the Trustee, shall be entitled to any right or benefit under the Indenture. No Series 200__ Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until such certificate of authentication on such Series 200__ Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Series 200__ Bond shall be conclusive evidence that such Series 200__ Bond has been duly authenticated and delivered under the Indenture. The Trustee's certificate of authentication on any Series 200__ Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Series 200__ Bonds.

SECTION 2.09. Book-Entry Bonds; Depository for the Series 200__ Bonds. The Series 200__ Bonds shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 200__ Bonds.

SECTION 2.10. Tax-Exempt Bond. The Series 200__ Bonds shall be issued as [Tax-Exempt Bonds.]

ARTICLE III.

CREDIT FACILITIES

SECTION 3.01. Credit Facility for Series 200__ Bonds. (a) Upon conversion of the Series 200__ Bonds to a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rate, a Credit Facility shall be required to be delivered by the Lessee to the Trustee, and the Trustee is hereby directed, on or prior to each Interest Payment Date, to make a drawing under the Credit Facility relating to the Series 200__ Bonds no later than the time provided in such Credit Facility

for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on such date, equal to the interest on Series 200__ Bonds then payable from the Credit Facility due on such Interest Payment Date (other than such interest representing a portion of the Purchase Price of any Series 200__ Bonds required to be purchased on such date and other than any interest due on Bank Bonds) and to use such drawing to pay such interest due on the Series 200__ Bonds on such Interest Payment Date. The proceeds of such drawing shall be deposited in the Series 200__ Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of interest on such Series 200__ Bonds. The Trustee shall direct that the proceeds of any such drawing shall then be transferred directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of any such interest then due, the Trustee shall not take into consideration any interest due on any Series 200__ Bond for any period when such Series 200__ Bond is a Bank Bond or for any Series 200__ Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, AMR or the Lessee or any affiliate of any of them, and no drawings under the Credit Facility shall be made, or be used, to pay interest on any Series 200__ Bond for any period when such Series 200__ Bond is a Bank Bond or for any Series 200__ Bonds owned by the Agency, AMR or the Lessee or any affiliate of any of them.

(b) On or prior to each date on which a payment of principal or redemption premium (if any) on any Series 200__ Bonds then payable from the Credit Facility is due either by maturity or as a result of any mandatory or optional redemption of such Series 200__ Bonds or any acceleration of the maturity of such Series 200__ Bonds or otherwise (in each case, other than an amount representing the principal portion of the Purchase Price of any such Series 200__ Bonds required to be purchased on such date and other than any principal due on Bank Bonds), the Trustee is hereby directed to make a drawing under the Credit Facility no later than the time provided in the Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on the date such principal or redemption premium (if covered by such Credit Facility) is payable, equal to the amount of such principal payment and, if covered by the Credit Facility then in effect, redemption premium, and accrued interest, and to use such drawing to make such payment. The proceeds of such drawing shall be deposited in the Series 200__ Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of the principal and premium (if applicable) of such Series 200__ Bonds. The Trustee shall then transfer the proceeds of any such drawing directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of such principal and premium (if applicable) then due, the Trustee shall not take into consideration any principal or redemption premium, if any, required on Bank Bonds or for any Series 200__ Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, the Lessee, AMR or any affiliate of any of them, and no drawings under the Credit Facility shall be made or be used to pay any principal or redemption premium, if any, of Bank Bonds or for any Series 200__ Bonds owned by the Agency or the Lessee or any affiliate of either of them.

(c) If at any time there shall have been delivered to the Trustee an Alternate Credit Facility pursuant to Section 3.02 of this _____ Series Supplemental Indenture, together with the documents required by such Section 3.02, then the Trustee shall accept such new Credit

Facility and surrender the previously held Credit Facility for cancellation in accordance with the terms of such previously held Credit Facility, *provided that* no such surrender shall occur until after the date on which the Series 200__ Bonds that are subject to mandatory purchase in accordance with Section 2.05(d) are so purchased. If at any time all of the Series 200__ Bonds then secured by a Credit Facility shall have been defeased pursuant to Article X of the Indenture, the Trustee shall surrender such Credit Facility in effect prior to such defeasance to the issuer or provider thereof in accordance with the terms of such Credit Facility for cancellation. The Trustee shall comply with the procedure set forth in the Credit Facility relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Credit Facility in accordance with the provisions thereof.

(d) In connection with the replacement, termination, or expiration, of the Credit Facility requiring mandatory purchase of Series 200__ Bonds as provided in Section 2.05(d) hereof, the Bond Registrar is hereby directed to give the notice of mandatory tender for purchase of the Series 200__ Bonds as provided in Section 2.05(g).

(e) Money received pursuant to draws on a Credit Facility shall only be applied to the payment of principal (except for principal on any Bank Bonds), redemption premium (if any, excluding premium due on Bank Bonds, and only to the extent provided for by such Credit Facility), Purchase Price (only to the extent provided for by such Credit Facility) or interest on the Series 200__ Bonds (except for any interest accruing on the Series 200__ Bonds while such Series 200__ Bonds are Bank Bonds), or, if not needed for such purpose, shall be returned to the Credit Facility Provider to the extent that the Credit Facility Provider has not been reimbursed by the Lessee for draws made on the Credit Facility and otherwise to the Lessee.

(f) Upon delivery of a Credit Facility to the Trustee with respect to the Series 200__ Bonds, the Trustee shall establish and maintain a separate and segregated account within the Bond Fund entitled the "Series 200__ Credit Facility Account". Monies or the proceeds from the investment of such monies deposited in such account received shall be held separate and apart from all other monies in the Bond Fund, including specifically all monies transferred from the Lease Payments Fund to the Bond Fund.

SECTION 3.02. Alternate Credit Facility for Series 200__ Bonds. If at any time there shall be delivered to the Trustee (i) an Alternate Credit Facility, (ii) a Favorable Opinion of Bond Counsel, (iii) either (A) written evidence from Moody's, if the Series 200__ Bonds are then rated by Moody's, and S&P, if the Series 200__ Bonds are then rated by S&P, in each case to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and stating the ratings of the Series 200__ Bonds after substitution of such Alternate Credit Facility or (B) a statement of the Lessee that no ratings have been obtained, (iv) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel that no registration of the Series 200__ Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, and (v) an Opinion of Counsel satisfactory to the Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, (vi) all information required to give the notice of mandatory tender for purchase of the Series 200__ Bonds as required by Section 2.05(d), then the Trustee shall accept such Alternate Credit Facility and, after the date of the mandatory tender for purchase established pursuant to Section 2.05(d), promptly (x)

surrender the Credit Facility then in effect to the Credit Facility Provider which issued such Credit Facility in accordance with its terms for cancellation or (y) deliver any document necessary to reduce the coverage of such Credit Facility to zero.

SECTION 3.03. Rights and Duties under Credit Facilities Relating to Series 200__ Bonds. If a Credit Facility securing the Series 200__ Bonds has been delivered to the Trustee by the Credit Facility Provider, the Trustee is hereby instructed, without further direction, to draw amounts under such Credit Facility or such Alternate Credit Facility as may be substituted therefor in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in this _____ Series Supplemental Indenture. If the Trustee makes a drawing under a Credit Facility relating to the Series 200__ Bonds after the principal of the Series 200__ Bonds shall have been declared immediately due and payable following the occurrence of an Event of Default with respect to the Series 200__ Bonds, the proceeds of such drawing shall be applied by the Trustee as promptly as practicable to the payment of the Series 200__ Bonds entitled to be paid therefrom. So long as a Credit Facility remains in effect with respect to any Series 200__ Bonds, the Trustee may not waive any Event of Default with respect to the Series 200__ Bonds if a drawing has been made under the Credit Facility, all or any portion of which is subject to reinstatement as provided in the Credit Facility relating thereto, and such reinstatement has not yet occurred. The Agency agrees that the Trustee in its name or in the name of the Agency may enforce all rights of the Trustee and of the Agency and all obligations of any Credit Facility Provider (including the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility) under and pursuant to the Credit Facility, for the benefit of the holders of the Series 200__ Bonds. The Trustee agrees to assume and perform the duties and obligations contemplated under any Credit Facility to be assumed and performed by the Trustee.

SECTION 3.04. Notice of Termination or Other Change in Credit Facility for Series 200__ Bonds. The Trustee shall give notice by mail to the holders of the Series 200__ Bonds then payable from the Credit Facility (if any) on or before the 15th day preceding the replacement, termination or expiration of such Credit Facility in accordance with its terms, which notice shall, to the extent applicable, (1) describe generally the Credit Facility, if any, in effect prior to such replacement, termination, or expiration and the Alternate Credit Facility, if any, in effect or to be in effect upon such replacement, termination, or expiration (2) state the date of such replacement, termination, or expiration, and the date of the proposed substitution of the Alternate Credit Facility (if any), (3) specify the rating, if any, to be applicable to such Series 200__ Bonds after such replacement, termination, or expiration of the Credit Facility or state that no ratings have been obtained with respect to such Series 200__ Bonds for the period subsequent to such replacement, termination, or expiration, of the Credit Facility, and (4) state that the Series 200__ Bonds will be purchased pursuant to Section 2.05(d) on the fifth calendar day preceding such replacement, termination, or expiration. The Lessee will give the Trustee, Bond Registrar, the Remarketing Agent and Paying Agent written notification of any replacement, termination, or expiration of the Credit Facility as soon as practicable after receiving knowledge thereof. The Lessee shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice and shall provide the Trustee with the form of such notice.

SECTION 3.05. Notice by Trustee to Reduce Credit Facility. In the event that the Series 200__ Bonds shall be redeemed in whole or in part, and if a Credit Facility is then in

effect with respect to the Series 200__ Bonds, the Trustee, at the written direction of the Lessee, shall give notice to the Credit Facility Provider in the manner required by the Credit Facility to reflect such reduction in the principal amount of the Series 200__ Bonds as a result of such redemption.

SECTION 3.06. Certificate of Assumption. Simultaneously with the delivery of any Credit Facility hereunder by any Credit Facility Provider, such Credit Facility Provider shall deliver to the Port Authority a Certificate of Assumption required by the Consent Agreement. Delivery of such Certificate of Assumption shall be a precondition to the acceptance by the Trustee of any Credit Facility hereunder.

ARTICLE IV.

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST

SECTION 4.01. Establishment of Accounts. The following Accounts shall be established and held within the following Funds and said Accounts shall maintained and applied by the Trustee in accordance with Article V of the Indenture:

(a) Within the Project Fund

(i) Series 200__ Construction Account

(b) Within the Bond Fund

(i) Series 200__ Principal Account

(ii) Series 200__ Interest Account

(iii) Series 200__ Redemption Account

(iv) Series 200__ Sinking Fund Redemption Account

(v) Series 200__ Debt Service Reserve Account

(vi) Series 200__ Capitalized Interest Account

SECTION 4.02. Application of Series 200__ Bond Proceeds. All moneys received by the Agency from the sale of the Series 200__ Bonds shall be simultaneously disbursed as follows:

(i) $_____ shall be deposited into the Series 200__ Interest Account of the Bond Fund;

(ii) $_____.00 shall be deposited into the Series 200__ Construction Account of the Project Fund.

(iii) $_____ shall be deposited into the Series 200__ Debt Service Reserve Account of the Bond Fund.

(iv) $_____ shall be deposited into the Series 200__ Capitalized Interest Account.

ARTICLE V.

REMARKETING AGENT; TENDER AGENT; PURCHASE AND REMARKETING OF SERIES 200__ BONDS

SECTION 5.01. Remarketing Agent and Tender Agent for Series 200__ Bonds. (a) In accordance with and subject to the Remarketing Agreement, the Lessee, with the consent of the Agency, shall appoint the Remarketing Agent at least thirty (30) days prior to the date that the Series 200__ Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency appoint any successor Remarketing Agent for the Series 200__ Bonds subject to the conditions set forth in Section 5.02(a). Each Remarketing Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Agency, the Credit Facility Provider and the Lessee under which such Remarketing Agent will agree, particularly, to keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Agency, the Credit Facility Provider and the Lessee at all reasonable times.

(b) The Lessee, with the consent of the Agency (such consent not to be unreasonably withheld) shall, appoint a Tender Agent at least sixty (60) days prior to the date that the Series 200__ Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency, such consent not to be unreasonably withheld or delayed, appoint any successor Tender Agent for the Series 200__ Bonds, subject to the conditions set forth in Section 5.02(b). Each Tender Agent shall designate its principal office(s) for delivery of notices and delivery of Series 200__ Bonds and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. By acceptance of its appointment hereunder, the Tender Agent agrees:

(i) to hold all Series 200__ Bonds delivered to it pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the respective owners which shall have so delivered such Series 200__ Bonds until moneys representing the Purchase Price of such Series 200__ Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) to establish and maintain a separate segregated trust fund designated as the "New York City Industrial Development Agency Special Facility Revenue Bonds Series 200__ (American Airlines, Inc. Kennedy International Airport Project), Bond Purchase Fund" (the "Series 200__ Bond Purchase Fund"), and to establish and maintain in the Series 200__ Bond Purchase Fund a remarketing account (the "Series 200__ Remarketing Account"), a Credit Facility Bond Purchase Account (the "Series 200__ Credit Facility Bond Purchase Account")

and a Lessee Payments account (the "Series 200__ Lessee Payments Account"), until such time as it has been discharged from its duties as Tender Agent hereunder;

(iii) to hold all moneys (without investment thereof) delivered to it hereunder in the Series 200__ Bond Purchase Fund for the purchase of Series 200__ Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Series 200__ Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iv) to hold all moneys delivered to it by the Lessee or the Guarantor for the purchase of Series 200__ Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the owners or former owners who shall deliver Series 200__ Bonds to it for purchase until the Series 200__ Bonds purchased with such moneys shall have been delivered to or for the account of the Lessee; *provided, however,* that if the Series 200__ Bonds shall at any time become due and payable, the Tender Agent shall cause such moneys (other than moneys held pursuant to Section 5.03(c)(ii)) to be deposited into the Bond Fund;

(v) to hold all Series 200__ Bonds registered in the name of the new owners thereof that have been delivered to it by the Bond Registrar for delivery to the Remarketing Agent in accordance with the Tender Agreement;

(vi) to hold Series 200__ Bonds for the account of the Lessee or the Guarantor as contemplated by Section 5.03(c); and

(vii) to keep such books and records as shall be consistent with customary industry practice and to make such books and records available for inspection by the Agency, the Trustee, the Lessee, the Credit Facility Provider and the Remarketing Agent at all reasonable times.

The Agency shall cooperate with the Lessee, the Trustee and the Bond Registrar to cause the necessary arrangements to be made and to be thereafter continued to enable the Tender Agent to perform its duties and obligations described above.

SECTION 5.02. Qualifications of Remarketing Agent and Tender Agent; Resignation; Removal. (a) The Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this _____ Series Supplemental Indenture. Any successor Remarketing Agent shall have, or be a subsidiary of another corporation or a partnership which includes as a general partner an entity which shall have, senior unsecured long-term debt which shall be rated, so long as the Series 200__ Bonds shall be rated by Moody's, at least Baa3/P-3 or otherwise qualified by Moody's. The Remarketing Agent may at any time resign and be discharged of its duties and obligations hereunder upon providing the Agency, the Lessee, the Tender Agent, the Credit Facility Provider, the Paying Agent, the Bond Registrar and the Trustee with 30 days' prior written notice. Subject to the written consent of the Agency, which consent will not be unreasonably withheld or delayed, the Remarketing Agent may be removed at any time, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Trustee, the Tender Agent, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent at least 30

days prior to the effective date of such removal. In the event that the Remarketing Agent has resigned or been removed and no successor Remarketing Agent has been appointed by the Lessee, the Lessee shall appoint a temporary remarketing agent qualified under Section 5.02(a) to perform the duties of the Remarketing Agent until a successor Remarketing Agent has been appointed; *provided, however,* that no resignation or removal shall be effective unless there is a successor Remarketing Agent or a temporary remarketing agent in place.

(b) The Tender Agent shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, and, if not a bank or trust company, for so long as the Series 200__ Bonds shall be rated by Moody's, shall have senior unsecured debt which shall be rated at least Baa3/P-3 or otherwise qualified by Moody's, and in any case having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this _____ Series Supplemental Indenture and the Tender Agreement. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this _____ Series Supplemental Indenture by giving at least 60 days' notice to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. The Tender Agent may be removed, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Tender Agent, the Trustee, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent.

Upon the effective date of resignation or removal of the Tender Agent, the Tender Agent shall deliver any Series 200__ Bonds and moneys held by it in such capacity to its successor.

SECTION 5.03. Notice of Series 200__ Bonds Delivered for Purchase; Purchase of Series 200__ Bonds. (a) The Tender Agent shall determine timely and proper delivery of Series 200__ Bonds pursuant to this _____ Series Supplemental Indenture and the proper endorsement of such Series 200__ Bonds. Such determination shall be binding on the owners of such Series 200__ Bonds, the Agency, the Lessee, the Remarketing Agent, the Credit Facility Provider and the Trustee, absent manifest error. In accordance with the provisions of the Tender Agreement, the Tender Agent shall give notice by telephone, or telecopy, promptly confirmed by a written notice, to the Trustee, the Bond Registrar, the Remarketing Agent, the Credit Facility Provider and the Lessee specifying the principal amount of Series 200__ Bonds, if any, as to which it shall receive notice of tender for purchase in accordance with Section 2.05(a).

(b) Series 200__ Bonds required to be purchased in accordance with Section 2.05 shall be purchased from the owners thereof, on the date and at the Purchase Price at which such Series 200__ Bonds are required to be purchased. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

(i) proceeds of the sale of such Series 200__ Bonds remarketed to any person pursuant to Section 5.04 and furnished to the Tender Agent by the purchasers or by the Remarketing Agent for deposit into the Remarketing Account of the Series 200__ Bond Purchase Fund; and

(ii) moneys furnished by or at the direction of the Trustee to the Tender Agent for deposit into the Series 200__ Credit Facility Bond Purchase Account of the Series 200__ Bond Purchase Fund representing moneys received from draws on the Credit Facility; and

(iii) moneys furnished by the Trustee to the Tender Agent for deposit into the Series 200__ Lessee Payment Account of the Series 200__ Bond Purchase Fund representing moneys provided to the Trustee by the Lessee or the Guarantor.

In the event that a premium is required to be paid upon the purchase of any Series 200__ Bonds as provided in Section 2.05, and the Credit Facility then in effect with respect to such Series 200__ Bonds shall not provide for the payment of a premium upon the purchase of such Bond, then moneys derived from draws on the Credit Facility shall be applied solely to the payment of principal of and interest on such Series 200__ Bonds and not to the payment of any such premium.

The Tender Agent may establish separate accounts or sub-accounts within the Series 200__ Bond Purchase Fund for such purposes as the Tender Agent may deem appropriate.

(c) (i) If a book entry system is not in effect, the Bond Registrar shall authenticate a new Series 200__ Bond or Series 200__ Bonds in an aggregate principal amount equal to the principal amount of Series 200__ Bonds purchased in accordance with Section 5.03(b), whether or not the Series 200__ Bonds so purchased are presented by the owners thereof, bearing a number or numbers not contemporaneously outstanding. Every Bond authenticated and delivered as provided in this Section 5.03 shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Series 200__ Bonds duly issued hereunder. The Bond Registrar shall maintain a record of the Series 200__ Bonds purchased as provided in this Section 5.03, together with the names and addresses of the former owners thereof and shall in the case of any Series 200__ Bonds purchased pursuant to Section 5.03(b)(ii) make a notation required to be made on the Bond Register that such Series 200__ Bonds are Bank Bonds. If a book entry system is in effect with respect to the Series 200__ Bonds, on any date on which beneficial ownership in the Series 200__ Bonds is tendered at the option of the owner of such beneficial interest (acting through its participant in the Depository) in accordance with Section 2.05(a) of this _____ Series Supplemental Indenture (including transfer of the beneficial ownership interest of the tendering owner to the account of the Tender Agent at the Depository), the Tender Agent shall transfer ownership of such beneficial ownership on the records of the Depository as provided in Section 5.05 of this _____ Series Supplemental Indenture. In the event a book entry system is in effect with respect to the Series 200__ Bonds, on any date on which beneficial ownership interest in the Series 200__ Bonds is subject to mandatory tender in accordance with Section 2.05 of this _____ Series Supplemental Indenture, the Tender Agent shall transfer beneficial ownership of the Series 200__ Bonds on the records of the Depository to indicate the ownership of such Series 200__ Bonds as provided in Section 5.05 of this _____ Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 200__ Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

(ii) If a book entry system is not in effect, in the event any Series 200__ Bonds purchased as provided in this Section 5.03 shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the Purchase Price of such Series 200__

Bonds in trust for the benefit of the former owners of such Series 200__ Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 200__ Bonds. Any moneys which the Tender Agent shall segregate and hold in trust for the payment of the Purchase Price of any Bond remaining unclaimed for one year after the date of purchase shall, upon the Lessee's written request to the Tender Agent, be paid to the Lessee. After the payment of such unclaimed moneys to the Lessee, the former Bondholder of such Series 200__ Bonds shall look only to the Lessee for the payment thereof, and the Lessee shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. If a book entry system is in effect with respect to the Series 200__ Bonds, if the Series 200__ Bonds are subject to mandatory tender in accordance with the terms of this _____ Series Supplemental Indenture, then the Tender Agent shall transfer beneficial ownership of the Series 200__ Bonds on the records of the Depository as provided in Section 5.05 of this _____ Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 200__ Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

SECTION 5.04. Remarketing of Series 200__ Bonds; Notice of Interest Rates. (a) Upon notice of the tender for purchase of Series 200__ Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 200__ Bonds, any such sale to be made on the date of such purchase at a price of par plus accrued interest, if any, in accordance with Section 2.05 at the rate determined in accordance with Section 2.04. The Remarketing Agent agrees that while a Credit Facility is in effect it shall not, to its knowledge, sell any Series 200__ Bonds purchased pursuant to Section 2.05 to the Lessee or the Agency, or to any person who controls, is controlled by, or is under common control with, the Agency or the Lessee. In addition, the Remarketing Agent shall offer for sale and use its best efforts to sell any Series 200__ Bonds that are Bank Bonds. The Remarketing Agent has no duty to remarket the Series 200__ Bonds if an Event of Default with respect to the Series 200__ Bonds under the Indenture has occurred and is continuing.

(b) The Remarketing Agent shall determine the rate of interest to be borne by the Series 200__ Bonds during each Interest Rate Period and by each Bond during each Bond Interest Term for such Bond and the Bond Interest Terms for each Bond during each Bond Interest Term Rate Period as provided in Section 2.04 hereof and shall furnish to the Lessee, the Trustee and the Bond Registrar on the Business Day of determination each rate of interest and Bond Interest Term so determined by telephone or telecopy, promptly confirmed in writing or shall make such information available to the Lessee, the Trustee and the Bond Registrar by readily accessible electronic means.

(c) The Remarketing Agent shall give the Tender Agent written or telephonic notice (promptly confirmed by telex or telecopier) not later than (i) 4:00 p.m., New York City time, on the Business Day preceding the Business Day on which the Series 200__ Bonds are to be purchased pursuant to Section 2.05(a)(ii), (c), (d) or (e) or (ii) 12:00 noon, New York City time, on the Business Day on which Series 200__ Bonds are to be purchased pursuant to Section 2.05(a)(i) or (b) of the aggregate principal amount of Series 200__ Bonds subject to

purchase which have not been remarketed. By 12:30 P.M., New York City time, on the Purchase Date (as defined in the Tender Agreement), the Remarketing Agent shall deliver to the Tender Agent the Purchase Price (as defined in the Tender Agreement) of the Series 200__ Bonds subject to purchase and remarketed by the Tender Agent. The Remarketing Agent shall give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Lessee, the Trustee, the Bond Registrar and the Tender Agent on each date on which Series 200__ Bonds shall have been purchased pursuant to Section 5.03(b), specifying the principal amount of Series 200__ Bonds, if any, sold by it pursuant to Section 5.04(a) along with a list of such purchasers showing the names and denominations in which such Series 200__ Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

SECTION 5.05. Delivery of Series 200__ Bonds. (a) Series 200__ Bonds purchased with moneys described in clause (i) of Section 5.03(b) shall be made available by the Bond Registrar to the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agreement.

(b) Series 200__ Bonds purchased with moneys described in clause (ii) of Section 5.03(b) shall be held by the Tender Agent as Bank Bonds pursuant to the Tender Agreement.

(c) Series 200__ Bonds purchased with moneys described in clause (iii) of Section 5.03(b) shall be held by the Tender Agent for the account of the Lessee.

(d) Series 200__ Bonds delivered as provided in this Section 5.05 shall be registered in the manner directed by the recipient thereof or in the Tender Agreement.

SECTION 5.06. Delivery of Proceeds of Sale. The proceeds of the sale by the Remarketing Agent of any Series 200__ Bonds delivered to it by, or held by it for the account of, the Trustee or the Lessee, or delivered to it by any other Bondholder, shall be turned over to the Tender Agent as provided in the Tender Agreement.

SECTION 5.07. Draws on Credit Facility to Pay Purchase Price of Series 200__ Bonds. The Trustee, on each day on which Series 200__ Bonds are required to be purchased pursuant to Section 2.05, is directed, in accordance with the provisions of the Tender Agreement, to make drawings under a Credit Facility relating thereto by such times and in such manner as shall be required to receive in immediately available funds on such date amounts sufficient to pay the Purchase Price plus accrued interest, if any, of Series 200__ Bonds then payable from such Credit Facility tendered for purchase or required to be purchased pursuant to the provisions of this _____ Series Supplemental Indenture that have not been remarketed by the Remarketing Agent, and to deposit the proceeds of such drawings or cause such proceeds to be deposited in the Series 200__ Credit Facility Bond Purchase Account of the Series 200__ Bond Purchase Fund pending application of such moneys to the payment of the Purchase Price of such Series 200__ Bonds. In determining the amount of any such Purchase Price then due, the Trustee shall not take into consideration any Purchase Price due on Series 200__ Bonds held by the Agency or the Lessee or any affiliate of either of them, and no drawings under the Credit Facility shall be made or be used to pay the Purchase Price of any Bank Bonds or Series 200__ Bonds held by the Agency or the Lessee or any affiliate of either of them.

ARTICLE VI.

MISCELLANEOUS

SECTION 6.01. Partial Invalidity. In case any one or more of the provisions of this _____ Series Supplemental Indenture or of the Series 200__ Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture, the _____ Series Supplemental Indenture or of the Series 200__ Bonds, but the Indenture, the _____ Series Supplemental Indenture and the Series 200__ Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Series 200__ Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 6.02. Counterparts. This _____ Series Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.03. Laws Governing _____ Series Supplemental Indenture. THE EFFECT AND MEANING OF THIS _____ SERIES SUPPLEMENTAL INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 6.04. No Pecuniary Liability of Agency Members. No provision, covenant or agreement contained in this _____ Series Supplemental Indenture or in the Series 200__ Bonds or any obligations herein or therein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this _____ Series Supplemental Indenture, the Agency has not obligated itself except with respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal, Purchase Price or Redemption Price, if any, of and interest on the Series 200__ Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Series 200__ Bonds.

SECTION 6.05. Indenture to Remain In Effect. Save and except as supplemented by this _____ Series Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 6.06. Date for Reference Purposes Only. The date of this _____ Series Supplemental Indenture shall be for reference purposes only and shall not be construed to

imply that this _____ Series Supplemental Indenture was executed on the date first above written. This _____ Series Supplemental Indenture was executed and delivered on _____, 20___.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this _____ Series Supplemental Indenture of Trust to be executed in its name and behalf by its Chairperson, General Counsel, Vice Chairperson or Executive Director or Deputy Executive Director and to evidence its acceptance of the trust hereby created, The Bank of New York has caused this _____ Series Supplemental Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By: _____
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By: _____
Assistant Treasurer

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of July, in the year two thousand and two, before me the undersigned personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of July, in the year two thousand and two, before me the undersigned personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

EXHIBIT N

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

AND

AMERICAN AIRLINES, INC.

AMENDATORY LEASE AGREEMENT NO. ____

Dated as of _____, 200___

$_____
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 200__
(American Airlines, Inc. John F. Kennedy International Airport Project)

AMENDATORY LEASE AGREEMENT NO. ____

THIS AMENDATORY LEASE AGREEMENT NO. ____, dated as of the date set forth on the cover page hereof (this "Amendatory Lease Agreement No. ____"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and AMERICAN AIRLINES, INC. (the "Lessee"), a corporation organized and existing under and by virtue of the laws of the State of Delaware, having its principal office at 4333 Amon Carter Boulevard, Forth Worth, Texas 76155, party of the second part.

WITNESSETH:

WHEREAS, the Agency and the Lessee have entered into a IDA Lease Agreement, dated as of July 1, 2002 as heretofore amended (the "IDA Lease Agreement");

WHEREAS, the Lessee has requested that the Agency issue its Special Facility Revenue Bonds, Series 200__ (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 200__ Bonds") in the aggregate principal amount of $_____; and

WHEREAS, in conjunction with the issuance of the Series 200__ Bonds the Lessee has requested that the Agency enter into this Amendatory Lease Agreement No. ____.

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Agency herein contained, any obligation it may incur for the payment of money shall not create a debt of the State of New York or of The City of New York, and neither the State of New York nor The City of New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the lease rentals, revenues and receipts payable by the Lessee under this Amendatory Lease Agreement No. ____):

ARTICLE I

Definitions and Representations

Section 1.1. Definitions. All capitalized terms used herein but not otherwise defined in the body of this Amendatory Lease Agreement No. ____ shall be as defined in Appendix A to the IDA Lease Agreement.

Section 1.2. Construction. Unless the context otherwise requires, this Amendatory Lease Agreement No. ____, shall be construed consistent with Section 1.2 of the IDA Lease Agreement.

Section 1.3. Representations and Warranties by Agency. The Agency makes, confirms and incorporates herein by reference as of the date hereof those same representations and

warranties of the Agency made by the Agency pursuant to Section 1.3 of the IDA Lease Agreement.

Section 1.4. Representations and Warranties by Lessee. The Lessee makes, confirms and incorporates herein by reference as of the date hereof those same representations and warranties of the Lessee made by the Lessee pursuant to Section 1.5 of the IDA Lease Agreement.

ARTICLE II

Issuance of Series 200__ Bonds

[The title to Section 2.3 of the IDA Lease Agreement entitled "Issuance of Series 2002 Bonds" is hereby amended to be entitled "Issuance of Bonds". Existing Section 2.3 is hereby renumbered to be Section 2.3(___) and] [A/a] new Section 2.3(___) is hereby added to the IDA Lease Agreement:

"(___) Issuance of Series 200__ Bonds. Contemporaneously with the execution and delivery of this Amendatory Lease Agreement No. ____, the Agency will sell and deliver the Series 200__ Bonds in the aggregate principal amount of $_____ under and pursuant to the Applicable Bond Resolution authorizing the issuance of the Series 200__ Bonds and under and pursuant to the Master Indenture and the _____ Series Supplemental Indenture. The proceeds of the sale of the Series 200__ Bonds shall be applied as follows: $_____."

ARTICLE III

Payments of Fees

Section 3.1. Payment of Agency Fees. On the date of the sale and delivery by the Agency of the Series 200__ Bonds, the Lessee shall pay to the Agency, and the Agency acknowledges receipt of a financing fee in the amount of $_____.

ARTICLE IV

Miscellaneous

Section 4.1. Severability. If any clause, provision or section of this Amendatory Lease Agreement No. ____ is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

Section 4.2. Effective Date; Counterparts. This Amendatory Lease Agreement No. ____ shall become effective upon its delivery. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.3. Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the Agency, the Lessee and their respective successors and assigns.

IN WITNESS WHEREOF, the Agency has caused its corporate name to be hereunto subscribed by its duly authorized Chairman, Vice Chairman, Executive Director or Deputy Executive Director and the Lessee has caused its corporate name to be subscribed hereto, such execution by each such party being done as of the year and day first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By _____
Name:
Title:

AMERICAN AIRLINES, INC.,
as Lessee

By _____
Name:
Title:

EXHIBIT O

SUCCESSOR TRUSTEE
CERTIFICATE OF ASSUMPTION AND AGREEMENT

To: The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

Pursuant to the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002 (the "Consent Agreement") by and among American Airlines, Inc. (the "Lessee"), AMR Corporation, the New York City Industrial Development Agency, The Bank of New York and The Port Authority of New York and New Jersey (the "Port Authority"), and pursuant to Section 92 (such term and all other terms of special meaning having the meanings ascribed to such terms in or pursuant to the Consent Agreement), the undersigned, as a Successor Trustee, as defined in the Consent Agreement, hereby agrees to, and agrees to be bound by, all the terms, provisions and conditions of the Consent Agreement.

The undersigned Successor Trustee hereby certifies that the proper address for giving of written notice by the Port Authority to the Successor Trustee is as follows:

ATTEST: [Legal Name of Successor Trustee]

_____
Secretary

By_____

(Title) Vice-President

(Corporate Seal)

EXHIBIT P

[Form of Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee]

To: The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

Pursuant to that certain agreement of lease by and between The Port Authority of New York and New Jersey ("the Port Authority") and American Airlines, Inc. (the "Lessee"), as amended, supplemented and modified, bearing Port Authority Lease No. AYB-085, made as of August 1, 1976, which agreement was further amended, supplemented and modified, and restated, in an Amended and Restated Agreement of Lease made as of the 22nd day of December, 2000, bearing Port Authority Lease No. AYB-085R (such agreement of lease, as so supplemented, amended, modified and restated, and amended, modified and supplemented by Supplement No. 1 thereto dated July 31, 2002 and as the same may have been further supplemented, modified or amended (the "Lease") and pursuant to the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002 (the "Consent Agreement") by and among the Lessee, AMR Corporation, the New York City Industrial Development Agency, The Bank of New York and the Port Authority, the Lessee hereby certifies, represents and warrants to the Port Authority

(1) that all of the Reletting Rights Effective Date Conditions (such term and all other terms of special meaning having the meanings ascribed to such terms in the Lease or the Consent Agreement) set forth in paragraph (d) (i), (ii), (iii), (iv) and (v) of Section 92 of the Lease have been fully satisfied in accordance with the Lease and the Consent Agreement and that the requirement set forth in paragraph (d) (2)(i)(B) of Section 92 shall be satisfied by the delivery of this Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee, all so as to allow the Lessee to date and execute the Leasehold Mortgage and deliver the Leasehold Mortgage to the Leasehold Mortgagee in full compliance with the terms of the Lease and the Consent Agreement;

(2) that the Lessee's dating and execution of the Leasehold Mortgage and the Lessee's delivery of the Leasehold Mortgage to the Leasehold Mortgagee for recording shall not constitute a breach or default of the Lease or any of the terms, provisions, covenants and conditions thereof or of the Consent Agreement or of any of the terms, provisions, covenants and conditions thereof;

(3) that the form of the Leasehold Mortgage attached to this Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee is the same as the form of the Leasehold Mortgage attached as Exhibit G to the Consent Agreement;

(4) that the Lessee intends to, and shall, date and execute the Leasehold Mortgage and deliver the Leasehold Mortgage to the Leasehold Mortgagee for recording in the form of the Leasehold Mortgage attached as Exhibit G to the Consent Agreement not earlier than fifteen (15) days after the date of delivery of this Notice to the Port Authority in full compliance with the Lease and the Consent Agreement;

(5) that the Lessee shall not itself record the Leasehold Mortgage;

(6) that the dated date of the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee, when delivered shall constitute the Reletting Rights Effective Date (as defined in Section 92 of the Lease);

(7) that Lessee's dating, execution and delivery of the Leasehold Mortgage and the recording of the Leasehold Mortgage by the Leasehold Mortgagee shall not constitute a Wrongful Recording of the Leasehold Mortgage; and

(8) that attached hereto is the form of Opinion of Counsel of [ ], the Lessee's counsel, with respect to the validity of the Leasehold Mortgage and the compliance of the same with the Lease and the Consent Agreement.

ATTEST:

AMERICAN AIRLINES, INC.

_____
Secretary

By_____

(Title)_____President

(Corporate Seal)

[Letterhead of Counsel of American Airlines, Inc.]

[Date of Delivery of Leasehold Mortgage]

To Each of the Persons
Listed on Schedule I Attached Hereto:

$500,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

Ladies and Gentlemen:

We have acted as special New York counsel to (i) American Airlines, Inc., a Delaware corporation (the "Company") and (ii) AMR Corporation, a Delaware corporation ("AMR"), in connection with the issuance and sale by the New York City Industrial Development Agency (the "Issuer") of [*insert reference to the various series of Bonds*] (the "Bonds") issued pursuant to a Master Indenture of Trust, dated as of July 1, 2002, as amended and supplemented (the "Indenture") between the Issuer and [The Bank of New York], as Trustee (the "Trustee") (the "Bond Transaction").

In our capacity as counsel to the Company and AMR, we have reviewed the following documents dated as of July 1, 2002 (unless otherwise indicated) executed in connection with the Bond Transaction:

(a) the Leasehold Mortgage and Security Agreement (the "Leasehold Mortgage"), dated _____, 200__ made by the Company in favor of the Trustee and joined by the Issuer (the "Leasehold Mortgagee");

(b) unfiled copies of the fixture filing financing statement and the personal property financing statement on Form UCC-1 (respectively, the "Fixture Filing" and "Financing Statement" and collectively, the "Property Financing Statements") naming the Company, as debtor and the Trustee as secured party, setting forth their respective correct addresses, indicating whether the debtor is an organization or an individual and the jurisdiction of organization of the debtor and describing certain collateral as to which security interests are intended to be perfected by filing under the UCC, which we understand will be filed in the appropriate filing offices in the States of New York and Delaware (each a "Filing Office");

(c) the organizational documents of the Company listed on Exhibit A hereto; and

(d) the Operative Agreements delivered in connection with the Bond Transaction listed on Exhibit B hereto (the "Operative Agreements").

We have also (i) examined and relied on such corporate documents and records of the Company and AMR and such other instruments and certificates of public officials, officers and representatives of the Company and AMR and other persons as we have deemed necessary or appropriate for the purposes of this opinion, (ii) examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to the Operative Agreements or Leasehold Mortgage, and (iii) made such investigations of law as we have deemed appropriate as a basis for this opinion.

The opinions expressed below are furnished to you pursuant to Section 6.17(i) of the IDA Lease Agreement, Section 92 and Exhibit P of the Consent Agreement. Unless otherwise defined herein, capitalized terms used herein without definition shall have the meaning specified in the Indenture. The term "UCC" means the Uniform Commercial Code as in effect in the State of New York on the date hereof.

In rendering the opinions expressed below, we have assumed, with your permission, without independent investigation or inquiry, (i) the authenticity of all documents submitted to us as originals, (ii) the genuineness of all signatures on all documents that we examined, (iii) the conformity to authentic originals of documents submitted to us as certified, conformed or photostatic copies, (iv) the due authorization, execution and delivery by each of the parties thereto of each of the Operative Agreements, and (v) the corporate or partnership power and authority of each such person to enter into and perform its obligations under each such document, the enforceability of each such document and the binding effect thereof as against each such person.

Based upon and subject to the foregoing and the qualifications hereinafter set forth, we are of the opinion that:

1. The Leasehold Mortgage has been duly authorized, executed and delivered by the Company.

2. The Leasehold Mortgage is the legal, valid and binding obligation of the Company and, upon the recordation of the Leasehold Mortgage in the office of the City Register for Queens County, New York and the Fixture Filing in the appropriate Filing Office and the payment of the applicable recording and filing fees and any mortgage recording tax due thereon, the Leasehold Mortgage and the Fixture Filing will be effective to create a valid lien and security interest of record in favor of the Leasehold Mortgagee in the portion of the Mortgaged Property described in the Leasehold Mortgage which portion consists of the Company's leasehold interest in the real property (the "Mortgaged Premises") and fixtures, as such term is defined in the UCC (which leasehold interest in the Mortgaged Property is created under that that certain Amended and Restated Agreement of Lease (Lease No. AYB-085R) made as of December 22, 2000

between the Company and the Port Authority (the "Lease")), and the Leasehold Mortgage will be enforceable in accordance with its terms. We have assumed that the Company has or will have a leasehold interest of record in the Mortgaged Premises at the time of recording of the Leasehold Mortgage. With respect to fixtures, we have also assumed that such fixtures are located on the Mortgaged Premises.

3. Upon the recordation of the Leasehold Mortgage and the Financing Statement in the appropriate Filing Office and the payment of the applicable recording and filing fees and any mortgage recording tax due thereon, the Leasehold Mortgage and the Financing Statement will be effective to create a valid perfected security interest in favor of the Leasehold Mortgagee in all of the Mortgaged Property described in the Leasehold Mortgage that is of the type in which a security interest can be created under Article 9 of the UCC (the "Article 9 Collateral"), to the extent the UCC is applicable to the creation of such security interest and to the extent perfection of the security interest in the Mortgaged Property may be accomplished by the filing of financing statements in the Filing Office under the UCC.

4. The dating, execution and delivery of the Leasehold Mortgage by the Company and the recording of the Leasehold Mortgage will not constitute a Wrongful Recording of the Leasehold Mortgage (as defined in the Lease).

The opinion set forth in paragraph 4 above is based solely on and in total reliance, without any independent investigation, upon the representations made by the Company in the certificate of the Company delivered to the Port Authority in the form of Exhibit P to the Consent and attached hereto as Exhibit C.

Our opinions set forth above are subject to the effects of (i) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization and moratorium laws and other similar laws relating to or affecting creditors' rights or remedies generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law), (iii) an implied covenant of good faith, reasonableness and fair dealing, and concepts of materiality, and (iv) limitations on the enforceability of rights to indemnification under federal or state securities laws or regulations or to the extent such indemnification would violate public policy. In addition, applicable state laws and interpretations may affect the validity or enforceability of certain remedies provided for in the Leasehold Mortgage, but such limitations do not, in our opinion, make the remedies provided for therein inadequate for the practical realization of the rights and benefits intended to be provided thereby (subject to the other qualifications expressed herein). With respect to the opinion expressed in paragraph 2 as to the enforceability of the Leasehold Mortgage, as used therein, the term "enforceable" shall not imply any opinion as to the availability of equitable remedies other than judicial foreclosure of the lien intended to be created by the Leasehold Mortgage in accordance with the laws of the State of New York and non-judicial foreclosure of the liens intended to be created thereby pursuant to the powers of sale contained therein if the right to exercise such powers of sale have been judicially determined.

Without limiting the foregoing, we express no opinion as to the validity, binding effect or enforceability of any provision of the Leasehold Mortgage that purports to waive, release or vary any right of, or any duties owing to, the Company to the extent that such waiver, release or variation may be limited by Sections 1-102(3), 9-602 or 9-603 of the UCC or other provisions of applicable law. Our opinions set forth in paragraphs 2 and 3 with respect to Article 9 Collateral above are limited to Articles 8 and 9 of the UCC and therefore do not address (i) laws of jurisdictions other than the State of New York, (ii) with respect to our opinion in paragraph 3, laws of the State of New York other than Articles 8 and 9 of the UCC or (iii) collateral of a type not subject to Article 9 of the UCC.

We express no opinion as to the effect of, or compliance with, any federal or state laws regarding fraudulent transfers or fraudulent conveyances or laws governing preferential transfers, or any federal or state securities laws, rules or regulations, including without limitation as to the effect thereof on the validity, binding effect or enforceability of the Leasehold Mortgage.

We have assumed with your permission that (i) the Leasehold Mortgagee has not waived, subordinated or agreed with any third party to any modification of the perfection or priority of any lien or security interest granted by the Leasehold Mortgage, (ii) the Company has sufficient rights in the Mortgaged Property and (iii) value has been given sufficient for the lien and security interests granted by the Leasehold Mortgage to attach.

Except as set forth above, we express no opinion as to the validity or perfection of the lien and security interests purported to be created by the Leasehold Mortgage. We express no opinion as to the validity, perfection or priority of such lien and security interests:

(i) with respect to Article 9 Collateral, insofar as such collateral is sold, exchanged or otherwise disposed of by the Company;

(ii) to the extent such lien and security interests may be affected by (x) Section 552 of the United States Bankruptcy Code, under which a bankruptcy court has discretion as to the extent to which post-petition proceeds may be subject to a lien arising from a security agreement entered into by the debtor before the commencement of the case, or (y) Section 547(b) of the United States Bankruptcy Code, relating to the power to avoid a preference;

(iii) with respect to proceeds of Article 9 Collateral, to the extent of limitations under Section 9-315 of the UCC on the perfection of a security interest in proceeds;

(iv) as to any Article 9 Collateral acquired by the Company more than four months after the Company changes its name so as to make the relevant financing statements seriously misleading, unless new appropriate financing statements indicating the new name of such party are properly filed before the expiration of such four months;

(v) as to any Article 9 Collateral acquired by the Company following any change in the jurisdiction of organization (within the meaning of Section 9-102(a)(50) of the UCC) of the Company unless a new financing statement is properly filed in the applicable new jurisdiction within the time specified in Section 9-316 of the UCC; or

(vi) as to any Article 9 Collateral subject to a statute, regulation or treaty of the United States, whose requirements for a security interest's obtaining priority over the rights of a lien creditor with respect to such property preempt Section 9-310(a) of the UCC.

We express no opinion as to the priority of the lien and security interests purported to be created by the Leasehold Mortgage. Without limiting the foregoing, we express no opinion as to the priority of any security interest (i) as against any claims or liens in favor of the United States or any state thereof, or any federal or state agency, instrumentality or political subdivision, including but not limited to liens for payment of federal, state or local taxes that are given priority by operation of law, liens under Title IV of the Employee Retirement Security Act of 1974, as amended, or claims arising under 31 U.S.C. § 3713, (ii) as against any rights of a person in possession of proceeds consisting of money or "instruments" (as defined in the UCC), (iii) as against liens under Section 4-208 of the UCC, relating to security interests of a collecting bank, (iv) as against liens granted under Section 364(d) of the United States Bankruptcy Code, relating to liens granted by a court after the commencement of a case, or (v) that has been perfected by "control" under Sections 8-106, 9-104, 9-105, 9-106 or 9-107 of the UCC, as against any other security interest in the same property that has also been perfected by "control."

We call to your attention that the UCC requires periodic filing of continuation statements in order to maintain the effectiveness of financing statements filed pursuant thereto.

We have not made or undertaken to have made any investigation of the state of title to the real property, fixtures or personal property which are referred to in the Leasehold Mortgage and the Property Financing Statements, and we express no opinion as to (i) the title to or other ownership rights in such property, (ii) the legal description of such property, or (iii) the absence of any conflicting rights of others with respect to such property. We express no opinion as to any law relating to the protection of the environment or to building codes, zoning, land use controls, environmental or similar matters.

The opinion expressed herein does not encompass, and we express no opinion with respect to, the recordings, filings and other acts that may be required in the State of New York in connection with foreclosure or other realization upon the property subject to security interests pursuant to the Leasehold Mortgage.

We express no opinion with respect to any provision of the Leasehold Mortgage that purports to permit the Leasehold Mortgagee or any person to sell or otherwise

dispose of any of the collateral described therein except in compliance with the applicable federal and state laws.

We have assumed that any party seeking to enforce the Leasehold Mortgage against the Company is duly qualified to do business in the State of New York and has timely filed all franchise or income tax returns required to be filed in the State of New York and timely paid all State of New York franchise or income taxes as may be due.

We express no opinion as to the effectiveness against third parties of any provision of the Leasehold Mortgage purporting to grant a lien on after-acquired real property.

We express no opinion with respect to the ability of the Leasehold Mortgagee to proceed with foreclosure of any of the liens or security interests under the Leasehold Mortgage without accelerating the underlying indebtedness evidenced by the Bonds as guaranteed by the Guaranty.

[Such other exceptions, assumption and qualifications as is appropriate at time of delivery of opinion.]

In giving the opinions contained in the foregoing paragraphs 1 through 3, we call to your attention the fact that we are not general counsel to the Company or AMR and have only been engaged by the Company and AMR to give substantive attention to certain matters and that we have limited our inquiry insofar as the foregoing opinion concerns our knowledge of such matters to those matters with respect to which we have been engaged to give substantive attention.

In rendering the foregoing opinions, we have relied upon the opinion, dated today, of [Anne McNamara, Esq.], General Counsel of the Company and AMR, as to all matters contained therein. To the extent of such reliance, our opinion is subject to the same assumptions, qualifications and limitation as are contained therein. We express no opinion as to the laws of any jurisdiction other than the laws of the State of New York and the Federal laws of the United States of America, in each case that in our experience are generally applicable to transactions of this type. In particular (and without limiting the generality of the foregoing) we express no opinion as to the laws of any country (other than the Federal laws of the United States of America) or as to the effect of such laws (whether limiting, prohibitive or otherwise) on any of the rights or obligations of the Company or AMR or of any other party to or beneficiary of any of the Operative Agreements. We have assumed, with your permission, that the execution and delivery of each of the Operative Agreements by each of the parties thereto and the performance of their respective obligations thereunder will not violate any fundamental public policy under applicable law (other than the laws of the State of New York and Federal laws of the United States of America).

Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. This opinion is given as of the date hereof, and we assume no obligation to advise you of facts,

circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinion expressed herein.

The opinions expressed herein are solely for your benefit and, without our prior consent, neither our opinion nor this opinion letter may be relied upon by any other person.

Very truly yours,

Schedule I

List of Recipients

The Port Authority of New York and New Jersey

[Add other appropriate recipients]

Exhibit A

Organizational Documents of the Company

Certificate of Incorporation of the Company as certified by the Secretary of State of [Delaware] on [*insert date*].[1]

By-Laws of the Company.[2]

Certificate of Good Standing, dated [*insert date*], of the Company issued by the Secretary of State of [Delaware].[3]

[Resolutions of the Company.][4]

[1] Certified Copy.

[2] Certified by an officer of the Company as true and correct as of the date of delivery of the opinion.

[3] Dated within a reasonable time of the date of the opinion.

[4] Reference would be made to the appropriate corporate resolutions that have been adopted, or might be adopted between now and the mortgage delivery date, relating to the transaction.

Exhibit B

Operative Agreements

*Capitalized terms used herein without definition shall have the meanings specified in the Bond Purchase Agreement.

Lease Agreement
Company Guaranty
AMR Guaranty
Bond Purchase Agreement
Company Sublease
Equipment Security Agreement
Port Authority Lease
Consent to Subleases
Tax Certificate
ATEIL
RNDA
Undertaking

[Such other documents that the Company may enter into prior to the execution and delivery of the Leasehold Mortgage.]

Exhibit C

Copy of the certificate of the Company delivered to the Port Authority in the form of Exhibit P to the Consent

Exhibit Q

Additional Lessee Covenant Certificate

To: The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003
Attention: Executive Director

Pursuant to the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002 (the "Consent Agreement") by and among American Airlines, Inc. (the "Lessee"), AMR Corporation, the New York City Industrial Development Agency (the "IDA"), The Bank of New York and The Port Authority of New York and New Jersey (the "Port Authority"), the Lessee hereby covenants and certifies to the Port Authority (all terms of special meaning used herein having the meanings ascribed to such terms in or pursuant to the Consent Agreement), that:

(1) On _____, the following Additional Minor Modification Document(s) were executed: [List and identify and attach final executed copies]

(2) The Additional Minor Modification Document(s) attached hereto and hereby made a part hereof, were entered into solely for the purpose of, and have no effect other than, (i) further fixing and determining, or modifying, the Financial Terms of Bonds which are Outstanding and/or (ii) curing any ambiguity, or curing or correcting any defective provision or omission;

(3) The Additional Minor Modification Document(s) attached hereto do not and shall not alter, impair or adversely impact the Port Authority's rights and remedies under this Consent Agreement, the Lease or the Basic Lease or otherwise; and

(4) Attached hereto is an opinion of Lessee's counsel [insert name and address of counsel] addressed to the Port Authority, that the execution and issuance of the Additional Minor Modification Documents do not violate the terms and conditions of this Consent Agreement or of the Lease.

ATTEST:

AMERICAN AIRLINES, INC.

_____
Secretary

By_____
(Title)_____
(Corporate Seal)

EXECUTION COPY

COMPANY SUBLEASE AGREEMENT

Between

AMERICAN AIRLINES, INC.

and

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

Dated as of July 1, 2002

New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)

COMPANY SUBLEASE AGREEMENT

THIS COMPANY SUBLEASE AGREEMENT, made as of the first day of July, 2002 (the "Company Sublease"), by and between AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of State of Delaware, having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, party of the first part (the "Lessee"), and NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York, having its principal office at 110 William Street, New York, New York 10038, party of the second part (the "Agency") (capitalized terms used in this Company Sublease and not defined herein shall be as defined in Appendix A hereto and made a part hereof):

WITNESSETH:

WHEREAS, to accomplish its corporate purposes, the Agency has entered into negotiations with the Lessee to induce the Lessee to construct, renovate, equip, expand and install the Facility which is comprised of terminal facilities and related facilities at John F. Kennedy International Airport in Queens, New York; and

WHEREAS, the Leased Facilities (i) are subject to the terms of the Basic Lease, (ii) have been subleased by the Port Authority to the Lessee pursuant to the PA Lease, and (iii) are described in the appendices hereto in the Description of Leased Facilities; and

WHEREAS, the Lessee desires to further sub-sublease the Leased Facilities to the Agency pursuant to this Company Sublease; and

WHEREAS, the Agency will sub-sub-sublease the Leased Facilities, and lease the Facility Equipment, to the Lessee pursuant to an IDA Lease Agreement of even date herewith between the Agency and the Lessee; and

WHEREAS, the Agency, in order to provide funds for a portion of the cost of the Project, will issue from time to time its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) pursuant to the Act, a resolution of the Agency adopted on October 23, 2001 as amended November 13, 2001, and a Master Indenture of Trust, dated as of July 1, 2002 as amended and supplemented by Series Supplemental Indentures of Trust each between the Agency and The Bank of New York, as trustee (the "Trustee"), and as otherwise supplemented or amended from time to time;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and representations hereinafter contained, the Lessee and the Agency hereby agree as follows:

ARTICLE I

The Lessee does hereby sub-sublease to the Agency and the Agency hereby sub-subleases from the Lessee the Leased Facilities for the term herein provided , which sub-sublease to the Agency shall continue unless terminated pursuant to Article II hereof regardless of whether the Lessee's leasehold estate in the Facility is now or hereafter derived from the PA

Lease, the City-American Lease or a holdover, month to month or statutory tenancy arising out of the Port Authority Lease or the City-American Lease.

ARTICLE II

(a) The term of this Company Sublease shall commence on July 31, 2002 and, unless earlier terminated pursuant to the terms hereof, shall terminate on the earliest of:

(i) the expiration or earlier termination of the IDA Lease Agreement;

(ii) the earlier of (x) two (2) days immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date and (y) December 20, 2036;

(iii) the date on which no Bonds are "Outstanding" under the Indenture;

(iv) the termination of the Basic Lease, provided that the Company Sublease shall not terminate on the termination of the Basic Lease if the City-American Lease is effective upon the termination of the Basic Lease or there is a RNDA Effective Date upon such termination of the Basic Lease;

(v) the termination of the letting of the Lessee under the PA Lease during the stated term thereof or during a Permitted Tenancy (as defined in the PA Lease), except (A) as a result of the termination of the Basic Lease, if there is a RNDA Effective Date upon such termination of the Basic Lease or (B) if the PA Lease is deemed terminated solely due to the occurrence of a Triggering Event under the PA Lease as such term is defined in the PA Lease;

(vi) the termination of any month-to-month periodical tenancy of the Lessee created pursuant to Section 52 or 53 of the PA Lease, except as a result of the termination of the Basic Lease, if there is a RNDA Effective Date upon such termination of the Basic Lease;

(vii) one day prior to the expiration without renewal of any month-to-month periodical tenancy of the Lessee created pursuant to Section 52 or 53 of the PA Lease, provided that the Company Sublease shall not terminate upon any such expiration caused by the expiration of the Basic Lease if the City-American Lease is effective upon the expiration of the Basic Lease;

(viii) if the City-American Lease has been executed, then upon the termination, but not upon the surrender, of the City-American Lease, except that the Company Sublease shall not terminate if the Lessee is reinstated as or becomes tenant of the Leased Premises as described in Section 94(c)(i) of the PA Lease;

(ix) if a City-American Lease has been executed, then one day prior to the expiration of the stated term of the City-American Lease;

(x) if a City-American Lease has not been executed, then the later of (A) two (2) days prior to the date on which the Port Authority surrenders possession of the Airport to the City, following termination or expiration of the Basic Lease (as the same may have been renewed or extended, including any renewal as a result of a permitted holdover tenancy), except as a result of the termination of the Basic Lease if there is a RNDA Effective Date upon such termination of the Basic Lease or (B) if a New Basic Lease and/or a New Premises Lease shall have been executed and delivered prior to the date on which the Port Authority surrenders possession of the Airport to the City following the termination or expiration of the Basic Lease (as the same may have been renewed or extended, including any renewal as a result of a permitted holdover tenancy), the earlier of (x) one day prior to the date of expiration or earlier termination of the New Premises Lease or (y) two days prior to the date of the expiration or earlier termination of the New Basic Lease.

Notwithstanding the foregoing, any assignment of the Lessee's rights hereunder or substitution of the Lessee herein, in accordance with the provisions of the Security Documents, shall not result in the termination or expiration of this Company Sublease.

(b) The Lessee and the Agency acknowledge and agree, in consideration for the issuance of the Bonds by the Agency and the purchase of the same by the Holders thereof, upon the due execution and delivery of the City-American Lease, if any, the following terms and conditions shall become effective:

(i) "Gap Differential" shall mean either (1) the difference between the expiration of the Lessee's interest under the PA Lease and the Commencement of the City-American Lease Term or (2) the two day differential described in clause (A) of paragraph (a)(x) of this Article II.

(ii) Notwithstanding any technical termination of this Company Sublease as a matter of law by reason of the Gap Differential (a "Technical Termination") and, provided that the City-American Lease, if any, shall be in full force and effect regardless of whether the term thereof has commenced on the date of a Technical Termination and the Lessee remains in possession of the Leased Premises after such Technical Termination, the rights and obligations of the Lessee and the Agency under this Company Sublease shall continue and extend without interruption through and after any Technical Termination.

(iii) To the extent necessary to give effect to the parties' intent in paragraph (b)(ii) above, the Lessee and the Agency shall be deemed to have entered into a replacement and continuation lease on the same terms and conditions as this Company Sublease, whose terms and conditions shall be

effective during the period of the Gap Differential and shall continue through the term of the City-American Lease and until the scheduled termination of this Company Sublease as set forth in paragraph (a) above.

(iv) Neither the Lessee nor the Agency shall claim or assert, or be entitled to claim or assert, in any court or proceeding or other context, that either the Gap Differential or any Technical Termination constitutes a termination or suspension of the parties' obligations as set forth in this Company Sublease.

(c) Without limiting the effectiveness of the termination of the term of this Company Sublease pursuant to paragraph (a) of this Article II, the covenants and agreements set forth in this Article II shall survive the termination of this Company Sublease and continue until the Bonds are no longer Outstanding.

ARTICLE III

The Lessee warrants and represents that the PA Lease continues in full force and effect; that the Lessee is not in default under the PA Lease; that to the knowledge of the Lessee, the Port Authority is not in default under the PA Lease; that the Lessee has neither received nor delivered any notice of default or termination under the PA Lease; and that the Lessee is authorized and empowered to enter into this Company Sublease.

ARTICLE IV

The sole rental hereunder shall be the sum of ten dollars ($10), receipt of which is hereby acknowledged by the Lessee.

ARTICLE V

The Lessee shall promptly undertake the portion of the Project to be financed with the proceeds of the Bonds and work as agent for and on behalf of the Agency.

ARTICLE VI

The Lessee represents and warrants that it has full right and lawful authority to enter into this Company Sublease for the full term hereof, that the execution, delivery and performance by the Lessee of this Company Sublease have been duly authorized by all requisite corporate action on the part of the Lessee and will not violate (i) any applicable provision of law, or any order of any court or agency of government having jurisdiction thereover, (ii) the articles of incorporation or by-laws of the Lessee, or (iii) any indenture, agreement or other instrument to which the Lessee is a party (including the PA Lease) or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, which violation, conflict, breach or default would have a material adverse effect upon the affairs, assets, properties, business or condition, financial or otherwise, of the Lessee, or would result in the imposition of any lien, charge or encumbrance of any nature whatsoever on the Facility other than Permitted Encumbrances. The Lessee covenants and agrees that, so long as the IDA Lease

Agreement shall be in full force and effect, the Agency shall have, hold and enjoy a valid leasehold estate in the Leased Facilities during the term hereof, subject to the terms of the Basic Lease, the PA Lease, and the Consent Agreement, the ATL, the RNDA and upon effectiveness thereof, the City-American Lease and the Lessee shall from time to time take all necessary action to that end.

The Agency represents and warrants that it has full right and lawful authority to enter into this Company Sublease for the full term hereof, that the execution, delivery and performance by the Agency of this Company Sublease have been duly authorized by all requisite corporate action on the part of the Agency and will not violate (i) any provision of law, or any order of any court or agency of government having jurisdiction thereover, or (ii) the bylaws of the Agency or any indenture, agreement or other instrument to which the Agency is a party or by which it is bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, which violation, conflict, breach or default would have a material adverse effect upon the ability of the Agency to perform its obligations under this Company Sublease, or result in the imposition of any lien, charge or encumbrance of any nature whatsoever on the Facility other than Permitted Encumbrances.

ARTICLE VII

Neither the Agency nor the Lessee shall assign or transfer this Company Sublease, nor sublease the whole or any part of the Leased Facilities nor subject the Leased Facilities or any part thereof or this Company Sublease to any lien, claim, mortgage or encumbrance (other than Permitted Encumbrances), in any manner, nor sell, assign, convey or otherwise dispose of the Leased Facilities or any part thereof, during the term of this Company Sublease, in any manner, to any Person, except that (i) the Agency may sublease the Leased Facilities to the Lessee pursuant to the IDA Lease Agreement for a term not greater than the term herein provided (subject to Article II hereof), (ii) the Lessee may and shall assign and transfer this Company Sublease upon any assignment or transfer of the IDA Lease Agreement in accordance with the provisions for assignment or transfer of the IDA Lease Agreement as provided in the IDA Lease Agreement (the Company Sublease must be assigned to the same party as the IDA Lease Agreement), (iii) the Lessee may sublease the whole or any part of the Leased Facilities in accordance with the IDA Lease Agreement and (iv) the Agency may assign its rights under the IDA Lease Agreement to the Trustee pursuant to the Indenture and the IDA Lease Agreement.

ARTICLE VIII

In the event that any portion (but not all) of the Leased Facilities shall be released from the PA Lease (or upon the effectiveness thereof, the City-American Lease) this Company Sublease shall be deemed amended to exclude from the premises demised hereunder that portion of the Leased Facilities so released.

ARTICLE IX

Except for the Indenture, the IDA Lease Agreement, the Consent Agreement, the ATL, the RNDA and the City-American Lease, if any, this Company Sublease contains the entire agreement between the parties hereto with respect to the subject matter hereof and all prior

negotiations and agreements are merged in this Company Sublease. This Company Sublease may not be changed, modified or discharged in whole or in part and no oral or executory agreement shall be effective to change, modify or discharge in whole or in part this Company Sublease or any obligations under this Company Sublease, unless such agreement is set forth in a written instrument executed by the Lessee and the Agency. No consent or approval of the Lessee shall be deemed to have been given or to be effective for any purposes unless such consent or approval is set forth in a written instrument executed by the Lessee. No consent or approval of the Agency shall be deemed to have been given or to be effective for any purposes unless such consent or approval is set forth in a written instrument executed by the Agency.

ARTICLE X

All notices required to be given or authorized to be given by any party pursuant to this Company Sublease shall be in writing and shall be served personally or sent by registered or certified mail, return receipt requested, addressed as follows:

If to the Agency:	New York City Industrial Development Agency 110 William Street New York, New York 10038 Attention: Chairman (with a copy to the Executive Director of the Agency at the same address)
If to the Lessee:	American Airlines, Inc. 4333 Amon Carter Boulevard, MD 5566 Fort Worth, Texas 76155 Attention: Treasurer

If to any other party, to the address indicated in Section 9.7 of the Master IDA Lease Agreement. The Agency and the Lessee may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. A copy of any notice given to the Agency or the Lessee under this Company Sublease shall also be given to the Trustee at the address indicated in the Master Indenture.

ARTICLE XI

THIS COMPANY SUBLEASE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

The terms of this Company Sublease are and shall be binding upon and inure to the benefit of the Agency and the Lessee and their respective successors and assigns.

If any one or more of the provisions of this Company Sublease shall be ruled invalid by any court of competent jurisdiction, the invalidity of such provision(s) shall not affect any of the

remaining provisions hereof, but this Company Sublease shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

ARTICLE XII

This Company Sublease shall become effective upon the original issuance of the Series 2002 Bonds. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE XIII

All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Company Sublease shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of any amounts hereunder against any member, director, officer, employee or agent of the Agency. In addition, in the performance of the agreements of the Agency herein contained, any obligation it may incur for the payment of money shall not create a debt of the State of New York or of The City of New York, and neither the State of New York nor The City of New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the lease rentals, revenues and receipts payable to the Agency by the Lessee under the IDA Lease Agreement.

ARTICLE XIV

The use of the Leased Facilities, the Facility Equipment and all other rights, duties, liabilities and obligations of the Lessee and the Agency with respect thereto and the Project and the financing thereof, not fixed in this Company Sublease, shall be as set forth in the Basic Lease, the PA Lease, the Consent Agreement, the IDA Lease Agreement, the ATL, the RNDA and upon the effectiveness thereof, the City-American Lease.

IN WITNESS WHEREOF, the Lessee has caused its name to be subscribed hereto by its duly authorized officer and the Agency has caused its corporate name to be hereunto subscribed by its duly authorized Deputy Executive Director, all being done as of the year and day first above written.

AMERICAN AIRLINES, INC.

By _____
Name:
Title: Leslie M. Benners
Managing Director
Corporate Finance & Banking

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By _____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

STATE OF New York)
: ss.:
COUNTY OF New York)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Leslie Benners, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Gary R. Basso
Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 29th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Judith A. Capolongo
~~Notary Public~~

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County 2003
Commission Expires October 23, _____

Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

APPENDIX A

DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean an irrevocable letter of credit, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit, guaranty or other similar agreement or agreements or any other agreement or agreements used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered to the Trustee in accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for one or more participants in such Depository.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

Controlled Entity shall mean any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (i) an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered

to the Trustee in accordance with the Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (b) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Lessee has participated or has been a party, or has been given the opportunity to participate or be a party or (c) the delivery to the Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (c) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, with respect to a Series of Bonds, each of the respective periods during which such Series of Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts and other similar obligations incurred in the ordinary course of business;

(iii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default or that are being contested in good faith

by appropriate proceedings in accordance with Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable (or which, if past due, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(viii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean at any time of the calculation thereof the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

Execution Copy

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

AND

AMERICAN AIRLINES, INC.

IDA LEASE AGREEMENT

Dated as of July 1, 2002

New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. Kennedy International Airport Project)

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IDA LEASE AGREEMENT

THIS IDA LEASE AGREEMENT, made and entered into as of the date set forth on the cover page hereof, by and between NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and AMERICAN AIRLINES, INC. (the "Lessee"), a corporation organized and existing under and by virtue of the laws of the State of Delaware, having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, party of the second part (capitalized terms used in the recitals to the IDA Lease Agreement and not defined herein shall have the respective meanings assigned to such terms in Appendix A to this IDA Lease Agreement):

WITNESSETH:

WHEREAS, the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act"), authorizes and provides for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and furnish land, any building or other improvement, and all real and personal properties, including but not limited to machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial, industrial or civic purposes and which may include or mean an industrial pollution control facility to the end that such agencies may be able to promote, develop, encourage, assist and advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, pursuant to and in accordance with the provisions of the Enabling Act, the Agency was established by Chapter 1082 of the 1974 Laws of New York, as amended (together with the Enabling Act, the "Act"), for the benefit of The City of New York and the inhabitants thereof; and

WHEREAS, to accomplish the purposes of the Act, the Agency has entered into negotiations with the Lessee to induce the Lessee to commence with the construction, equipping, improvement and renovation of an air passenger terminal consisting of: (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the "Airport") in Queens, New York, and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal, all to be used and managed by the Lessee, and in furtherance of said purpose on December 9, 1999 the Agency adopted an inducement resolution with respect to the Project, as hereinafter defined, undertaking to permit the issuance of its special facility revenue bonds to finance the Project; and

WHEREAS, by undertaking the Project the Agency will finance the Facility which Facility is to consist in part of the Leased Facilities, which Leased Facilities: (i) are subject to the terms of the Basic Lease; and (ii) have been subleased by the Port Authority to the Lessee pursuant to the PA Lease; and

WHEREAS, such Leased Facilities are subject to the provisions of an Agreement Towards Entering Into a Lease between the Lessee and the City of New York dated July 31, 2002 (the "ATL"); and

WHEREAS, pursuant to the Company Sublease, the Lessee is concurrently herewith, subject to the Consent Agreement, the PA Lease and the Basic Lease, sub-subleasing the Leased Facilities to the Agency; and

WHEREAS, the Agency, in order to provide funds for a portion of the cost of the Project and for incidental and related costs thereto, will from time to time issue and sell Series of Bonds constituting Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), pursuant to the Act, a resolution of the Agency adopted on October 23, 2001, as amended November 13, 2001 and the Master Indenture of Trust as amended and supplemented by Series Supplemental Indentures from time to time by and between the Agency and The Bank of New York, as Trustee, securing said Bonds; and

WHEREAS, in conjunction with the issuance of Additional Bonds, the Agency and the Lessee will enter into amendments to the IDA Lease Agreement providing for, among other things, the payment of such Series of Bonds; and

WHEREAS, in connection with the Project, the Agency intends to grant the Lessee financial assistance in the form of Sales Tax Savings; and

WHEREAS, concurrently herewith AMR Corporation, a corporation duly organized and existing under the laws of the state of Delaware and the parent corporation of the Lessee and the Lessee (each a "Guarantor"), will each enter into separate Guaranty Agreements with the Trustee whereunder each Guarantor will each guarantee the payment of the principal of, Redemption Price, Sinking Fund Installments and Purchase Price, if any, on the Bonds; and

WHEREAS, in order to secure the payment of amounts due under the Guaranty, the Lessee will grant a mortgage lien on and security interest in its interest under the PA Lease to the Trustee pursuant to the Leasehold Mortgage and Security Agreement; and

WHEREAS, the Leasehold Mortgage shall not be dated, executed, delivered or recorded, the lien created by the Leasehold Mortgage shall not attach, the Leasehold Mortgagee shall not have rights under the Leasehold Mortgage, and the Reletting Rights (as defined in the PA Lease) shall not be exercisable until the Reletting Rights Effective Date; and

WHEREAS, concurrently herewith, the Agency, the Lessee and the Trustee will enter into an Equipment Security Agreement pursuant to which the Agency and the Lessee will grant a security interest in certain equipment financed with the proceeds of the Bonds to the Trustee; and

WHEREAS, the Project is necessary to provide employment in, and is beneficial for the economy of, The City of New York and is reasonably necessary to induce the Lessee to proceed to completion with the Project at its anticipated scope;

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Agency herein contained, any obligation it may incur for the payment of money shall not create a debt of the State of New York or of The City of New York, and neither the State of New York nor The City of New York shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement):

ARTICLE I

Definitions and Representations

Section 1.1. Definitions. All capitalized terms used herein but not otherwise defined in the body of this IDA Lease Agreement shall be as defined in Appendix A hereto.

Section 1.2. Construction. In this IDA Lease Agreement, unless the context otherwise requires:

(a) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in the IDA Lease Agreement, as amended from time to time, refer to the IDA Lease Agreement, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of the IDA Lease Agreement.

(b) Words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of the IDA Lease Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of the IDA Lease Agreement, nor shall they affect its meaning, construction or effect.

Section 1.3. Representations and Warranties by Agency. The Agency makes the following representations and warranties:

(a) The Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State, and is authorized and empowered to enter into the transactions contemplated by the IDA Lease Agreement and to carry out its obligations hereunder. By proper action of its members, the Agency has duly authorized the execution and delivery of the IDA Lease Agreement.

(b) In order to finance the cost of the Project, the Agency will from time to time issue Series of Bonds. The Bonds of each Series will mature, bear interest, be subject to tender, be redeemable and have the other terms and provisions set forth in the Indenture and the related Series Supplemental Indenture.

Section 1.4. Findings by Agency. (a) The Agency, based upon the representations and warranties of the Lessee contained in the IDA Lease Agreement and the information contained in the application and other materials heretofore submitted by or on behalf of the Lessee to the Agency, hereby finds and determines that the financing of the Project Costs by the Agency and the sub-sub-subleasing of the Facility to the Lessee is reasonably necessary to induce the Lessee to proceed with the Project at its anticipated scope.

(b) The Agency has commissioned and reviewed the Findings Assessment Related to Provision of Air Travel Services at JFK International Airport and American Airlines Terminals Eight and Nine dated January 2000 of Allee King Rosen & Fleming, Inc. (the "Findings Assessment"). The Agency has determined by resolution dated January 11, 2000, that the predominant purpose of the Project is to make available goods or services which would not, but for the Project, be reasonably accessible to City residents because of a lack of reasonably accessible retail trade facilities offering such goods and services.

Section 1.5. Representations and Warranties by Lessee. The Lessee makes the following representations and warranties:

(a) The Lessee is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and in good standing and qualified to do business under the laws of the State of New York, has the corporate power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute and deliver the IDA Lease Agreement, the Company Sublease, the PA Lease, the ATL, the RNDA and the Consent Agreement and to perform its obligations under the IDA Lease Agreement, the Company Sublease, the PA Lease, the ATL, the RNDA and the Consent Agreement.

(b) The execution and delivery by the Lessee of the IDA Lease Agreement and the Company Sublease, and the performance by the Lessee of its obligations under the IDA Lease Agreement, the Company Sublease, the ATL, the RNDA and the PA Lease and the consummation of the transactions contemplated in the IDA Lease Agreement, the Company Sublease, the PA Lease, the RNDA and the ATL have been duly authorized by all requisite corporate action on the part of the Lessee and (i) will not violate any provision of law, any order of any court or agency of government, or the certificate of incorporation or by-laws of the Lessee, and (ii) to the best knowledge of the Lessee, will not violate in any material respect any indenture, agreement or other instrument to which the Lessee is a party or by which it or any of its property is subject to or bound, or result in a material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the imposition of any lien, charge or encumbrance of any nature whatsoever other than Permitted Encumbrances.

(c) Salary or other compensation paid to the officers or employees of the Lessee for work done by such officers or employees in connection with the Project will be included as a

Project Cost only to the extent that such Persons were specifically employed for such particular purpose, such salary or other compensation does not exceed the actual cost thereof and would, if such Project Cost had been undertaken by the Lessee with respect to its own property, be or be allowed to be treated on the books of the Lessee as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis.

(d) The assistance of the Agency in the financing of the Project Costs is reasonably necessary to induce the Lessee to proceed with the Project at its anticipated scope.

(e) The Project will not result in the removal of an industrial, manufacturing, warehousing or commercial plant or facility of the Lessee from a location outside of the City but within the State to within the City, or in the abandonment of one or more of such plants or facilities of the Lessee located outside of the City but within the State.

(f) The aggregate of Project Costs will not be less than the principal amount of the Bonds.

(g) Any Project Costs paid from the proceeds of the sale of any Series of Bonds would be or properly could be treated on the books of the Lessee as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis if such expenditures or costs had been incurred for assets owned by the Lessee.

(h) The Financed Property is either property of a character subject to the allowance for depreciation under Section 167 of the Code, or land, and the Financed Property constitutes an "airport facility" within the meaning of Section 142(a)(1) of the Code.

(i) No part of the proceeds of a Series of Bonds will be used to finance inventory or will be used for working capital.

(j) The Project is included within the definition of "project" under the Act.

(k) The Security Documents to which the Lessee is a party, the Company Sublease, the Consent Agreement, the ATL, the RNDA and the PA Lease constitute the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

(l) The Project has been and will be designed, and the operation of the Project is intended to be, in compliance with all applicable Federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(m) There is no action or proceeding pending or to the knowledge of the Lessee threatened by or against the Lessee by or before any court or administrative agency that would materially adversely affect the ability of the Lessee to perform its obligations under the IDA Lease Agreement, the ATL, the RNDA, the Company Sublease, each other Security Document to which the Lessee is a party, the PA Lease, or the Consent Agreement and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Lessee

as of the date hereof in connection with the execution and delivery of the IDA Lease Agreement, the RNDA, the ATL, the Company Sublease and each other Security Document to which the Lessee is a party or in connection with the performance of the obligations of the Lessee hereunder, thereunder, under the Consent Agreement and under the PA Lease have been obtained, other than consents required to be obtained in the ordinary course by the Lessee from the Port Authority under the PA Lease with respect to the Project work.

(n) The PA Lease, the ATL, the RNDA and the Consent Agreement continue in full force and effect without default thereunder by the Lessee or, to the best knowledge of the Lessee, by the Port Authority, or the City, respectively and the Lessee has neither received nor delivered any notice of default or termination thereunder.

(o) Pursuant to the PA Lease, the Company Sublease and the Consent Agreement, the Lessee has conveyed to the Agency a valid leasehold interest in the Leased Facilities, such interest being subject to the terms of the Basic Lease and the PA Lease.

(p) (Reserved)

(q) No portion of the proceeds of any Series of Bonds will be applied to acquire, construct, renovate, equip, expand or install any property that is not subject to the IDA Lease Agreement.

(r) The completion of the Project will enhance the quality of the services provided by the Lessee at the Airport. The Lessee has reviewed the Findings Assessment and the findings of the Agency contained in Section 1.4, and hereby finds and determines that said findings are reasonable and consistent with all information available to the Lessee.

(s) The fiscal year of the Lessee currently commences January 1 and ends December 31.

(t) The aggregate square footage of the Leased Facilities shall be approximately 2,000,000 square feet.

(u) Neither the Lessee nor any Affiliate thereof is a Prohibited Person.

ARTICLE II

The Project

Section 2.1. The Project. (a) The Lessee represents and warrants that pursuant to the Consent Agreement and the Company Sublease, the Lessee simultaneously herewith is conveying to the Agency a valid leasehold interest in the Leased Facilities on or prior to the time of the delivery and payment for the first Series of Bonds issued under the Indenture. The Lessee further represents and warrants that it will convey to the Agency good legal title to items of the Facility Equipment (subject to any interest in title of the Port Authority or the City in such Facility Equipment) the costs of which are to be reimbursed with the proceeds of a Series of Bonds, in each case free and clear of all liens, claims, charges, encumbrances, security interests

and servitudes other than Permitted Encumbrances. Said conveyance shall be made against payment therefor by the Agency from the proceeds of such Series of Bonds deposited in an Applicable Construction Account of the Project Fund to the extent permitted in Section 2.2 hereof and Section 5.02 of the Indenture. The Lessee further covenants and agrees that the PA Lease constitutes the legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity. The Agency acknowledges and the Lessee covenants and agrees, that the leasehold interest conveyed by the Lessee to the Agency under the Company Sublease is subject to, and the enjoyment by the Agency of the Facility Equipment is burdened by, the Company Sublease, the Consent Agreement, the Basic Lease and the PA Lease.

(b) The Agency acknowledges that the Lessee has pursuant to the Preliminary Sales Tax Letter commenced construction of the Project. As promptly as practicable after receipt of the proceeds of sale of any Series of Bonds and out of said proceeds of sale and proceeds of sales of subsequent Series of Bonds, the Lessee will, on behalf of the Agency, proceed with the Project through the acquisition and installation of Facility Improvement Materials, Facility Equipment, the leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities. The cost of the Project shall be paid from each Construction Account of the Project Fund established under the Indenture or as otherwise provided in Section 2.2 hereof. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, machinery, equipment, services or materials for or in connection with the Project shall be designated by the Lessee.

(c) In order to accomplish the purposes of the Agency, and to assure the effectuation of the Project in conformity with the requirements of the IDA Lease Agreement, the Lessee has undertaken to proceed with the design of the Project, the preparation of the Leased Facilities and the completion of the Tenant Improvements.

(d) The Lessee covenants that it has obtained or will obtain or cause to be obtained all necessary approvals, consents, permits, authorization and licenses from any and all governmental agencies and appropriate authorities requisite to the effectuation by the Lessee of the Tenant Improvements and the acquisition of the Facility Improvement Materials, the Facility Equipment, Leased Personalty and Maintenance Contracts and the operation and use of the same and shall furnish copies of the same to the Agency promptly upon request by the Agency thereof, all of which will be done in compliance in all material respects with all Federal, State and local laws, ordinances and regulations applicable thereto, and with the conditions and requirements of the Port Authority, the Basic Lease, the Consent Agreement and the PA Lease and all policies of insurance required to be maintained hereunder and under the PA Lease with respect to the Leased Facilities. Upon completion of the Project, the Lessee will promptly obtain or cause to be obtained all required occupancy permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by the IDA Lease Agreement, except if such non-compliance shall not materially adversely affect the Agency, and upon the written request of the Agency or the Trustee therefor, shall furnish copies of the same to the Agency and the Trustee.

(e) The Lessee shall take such action and institute such proceedings, and enforce such warranties, as shall be reasonably necessary to cause all vendors, contractors and material suppliers to complete their contracts in accordance with the terms of said contracts (subject to the independent right of the Lessee, in the exercise of its good faith business judgment, to waive or modify performance in whole or in part by any such contractor or supplier). The Agency will cooperate in any such action or proceeding, at the Lessee's sole cost and expense, provided that the Agency shall not be required to take any action it does not deem to be reasonable. Any amounts received by way of credits, refunds, adjustments or otherwise in connection with the foregoing, after deductions of expenses incurred in such recovery shall be deposited in any Construction Account of the Project Fund as designated by the Lessee and expended in accordance with the Indenture.

(f) Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the PA Lease, the Consent Agreement, and the Company Sublease, title to all said Facility Equipment and leasehold title to Facility Improvement Materials acquired as part of the Project shall vest in the Agency immediately upon the execution by the Lessee as agent for the Agency of a contract, lease, bill of sale, invoice or purchase order thereof and upon delivery to or installation at the Leased Facilities or payment therefor, whichever shall occur first. The Lessee shall take all action reasonably necessary to protect such title of the Agency in such Facility Improvement Materials and Facility Equipment against claims of any third parties.

(g) Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements, and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the PA Lease, the Consent Agreement and the Company Sublease, the Lessee shall, within a reasonable time after the acquisition of such Facility Improvement Materials and Facility Equipment by or on behalf of the Lessee, convey or cause to be conveyed to the Agency by bill(s) of sale with full warranties of title, good title to any item of such Facility Improvement Materials or Facility Equipment which has not theretofore been conveyed to the Agency as contemplated by Section 2.1(a) hereof, free and clear of all liens, claims, charges, security interests and encumbrances other than Permitted Encumbrances. The Lessee shall take all action necessary to so vest title to such Facility Improvement Materials and Facility Equipment in the Agency and to protect such title against claims of any third parties.

(h) Except as provided in the IDA Lease Agreement, the Lessee agrees that none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be located or used at any location other than at the Leased Facilities and none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be acquired, leased or undertaken other than for the purposes of the Project.

Section 2.2. Completion by Lessee. The Lessee covenants and agrees that, subject to the terms hereof and of the Indenture, it will complete the Project, or cause the Project to be completed, in a prompt and expeditious manner, by August 31, 2010, and that such completion

will be effected in accordance with the IDA Lease Agreement, the Company Lease, the PA Lease and the Indenture. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Lessee shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in the Project Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the Lessee be entitled to any diminution of the rents payable or other payments to be made under the IDA Lease Agreement. To the extent not paid out of the proceeds of the Bonds, the Lessee shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance, the delivery of any instruments and documents and their filing and recording, if required, (ii) all taxes and charges payable in connection with the Facility, and (iii) all shipping and delivery charges and other expenses or claims incurred in connection with the construction, renovation, equipping, expansion and installation of the Project. Any such payment of unreimbursed Project Costs by the Lessee shall be treated as additional rental payments hereunder and shall be allocated in the reasonable discretion of the Lessee to or among that unit or those units of property to which such payments relate. Such allocations and the accounting therefor for each unit of property shall be set forth on the respective Leased Facilities Schedule (as defined in Section 3.2 hereof) or Equipment Schedule (as defined in Section 3.2 hereof) delivered in respect thereof in accordance with Section 3.5 hereof.

The date of completion for the Project shall be evidenced to the Agency and the Trustee by a certificate of an Authorized Representative of the Lessee stating, except for any costs not then due and payable or the liability for payment of which is being contested or disputed in good faith by the Lessee, (i) the date of completion of the Project, and that all labor, services, machinery, equipment, materials and supplies used therefor have been paid for, (ii) that the Agency has a good and valid leasehold interest in the Leased Facilities and that the Leased Facilities have been completed in accordance with and are subject to the PA Lease, the Company Sublease and the IDA Lease Agreement and that the Lessee has conveyed to the Agency good and valid title to all property constituting part of the Facility Equipment (subject in each case to Permitted Encumbrances and the respective rights of the Port Authority and the City under the PA Lease and Basic Lease), and all Financed Property of the Facility is subject to the IDA Lease Agreement and the lien and security interest of the Leasehold Mortgage (upon the effective date thereof) or the lien and security interest of the Equipment Security Agreement, and (iii) the amount, if any, required in his or her opinion for the payment of any remaining part of the costs of the Project. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Lessee against third parties that exist at the date of such certificate or that may subsequently come into being, (y) that it is given only for the purposes of this Section and Section 5.02 of the Indenture, and (z) that no Person other than the Agency and the Trustee may benefit therefrom. The Lessee shall also deliver a copy of such certificate to the Port Authority.

Section 2.3. Issuance of Series 2002 Bonds. Contemporaneously with the execution and delivery of the IDA Lease Agreement, the Agency will sell and deliver the Series 2002 Bonds in the aggregate principal amount of $500,000,000 under and pursuant to the Bond Resolution, authorizing the issuance of the Series 2002 Bonds and under and pursuant to the Indenture. The proceeds of sale of the Series 2002 Bonds equal to (i) the interest accruing on the Series 2002A and the Series 2002B to the date of delivery thereof, if any, shall be deposited into

the respective Series 2002A and Series 2002B Interest Accounts of the Bond Fund, (ii) the Series 2002A Debt Service Reserve Account Requirement and the Series 2002B Debt Service Reserve Account Requirement shall be deposited into the respective Series 2002A Debt Service Reserve Account and the Series 2002B Debt Service Reserve Account of the Debt Service Reserve Fund, and (iii) the balance of the proceeds shall be deposited in the respective Series 2002A and Series 2002B Construction Accounts of the Project Fund and applied to the payment of Project Costs in accordance with the provisions of the Indenture. Pending such application, amounts in the Project Fund may be invested as provided in the Indenture.

Section 2.4. Appointment. The Agency hereby authorizes the Lessee to act as its agent for and on behalf of the Agency in connection with the undertaking of the Project. The Lessee shall, subject to the provisions of the IDA Lease Agreement and the Sales Tax Letter, at all times during the term of the IDA Lease Agreement acquire and use the Facility Improvement Materials and acquire, use and operate the Facility Equipment, Leased Personalty, Maintenance Contracts and Lease Facilities and the Tenant Improvements thereto as a qualified "project" in accordance with the provisions of the Act solely for the acquisition, construction and equipping of the Facility as specified in the recitals to the IDA Lease Agreement.

Section 2.5. Limitation on Sales Tax Exemption. (a) Any exemption from Sales and Use Taxes resulting from or occasioned by Agency involvement with the Project shall be limited to the acquisition and installation of Facility Improvement Materials, Facility Equipment, the Leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities effected by or for the Lessee as agent for the Agency, it being the intent of the parties that no operating expenses of the Lessee and no purchase of equipment or other personal property other than Facility Equipment or Facility Improvement Materials shall be subject to an exemption from Sales and Use Taxes because of the Agency's involvement with the Project. The Lessee shall be entitled to Sales Tax Savings pursuant to the Sales Tax Letter and/or the IDA Lease Agreement in the maximum amount set forth in the Sales Tax Letter until the earliest of (i) August 31, 2010, (ii) the completion of the Project as provided in Section 2.2 hereof, (iii) the termination of the IDA Lease Agreement, (iv) receipt by the Lessee of notice from the Agency of the termination of the Sales Tax Letter, or (v) the termination of the Sales Tax Letter pursuant to Section 7.2 hereof.

(b) The Lessee covenants and agrees that it shall include the following language (through an attached rider or by reference to the Sales Tax Letter or otherwise) in and as part of each contract, invoice, bill or purchase order entered into by the Lessee as agent for the Agency in connection with the Project.

> "This contract is being entered into by American Airlines, Inc., a corporation organized under the laws of the State of Delaware (the "Agent"), as agent for and on behalf of the New York City Industrial Development Agency (the "Agency") in connection with a certain project of the Agency for the Agent consisting of (y) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York (the "Project Premises") and the acquisition, construction and equipping on the Project Premises by the Agency with the proceeds of one or more bond issues of an air passenger terminal facility consisting of the

acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal (collectively, the "Facility") and (z) the acquisition, construction, installation, leasing, subleasing, repair, replacement and maintenance of building materials, machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property all as generally described in and limited to scope as set forth in Exhibit A attached hereto for use in connection with the construction, installation and equipping of the Facility and the demolition of Terminals 8 and 9 at the Project Premises and all pursuant to and as more specifically described in the IDA Lease Agreement (the "IDA Lease Agreement") dated as of July 1, 2002, as amended, between the Agency and the Agent (collectively, the "Project"). The acquisition, construction, installation and equipping of the Facility at the Project Premises by the Agency with the proceeds of bonds issued by the Agency and the acquisition, installation and leasing, subleasing, repair, replacement and maintenance of building materials, machinery, equipment, fixtures, furniture, furnishings, apparatus and other tangible personal property for purposes of the Project that is the subject of this [lease, sublease, contract, invoice, bill or purchase order] shall be exempt from the Sales and Use Taxes levied by the State of New York and The City of New York if effected in accordance with the terms and conditions set forth (y) in the attached Sales Tax Letter of the Agent, and (z) the IDA Lease Agreement, and the Agent hereby represents that this [lease, sublease, contract, invoice, bill or purchase order] is in compliance with the terms of the IDA Lease Agreement and the Sales Tax Letter. The liability of the Agency hereunder is limited as set forth in the IDA Lease Agreement and the Sales Tax Letter. By execution or acceptance of this [lease, sublease, contract, invoice, bill or purchase order], the [vendor, lessor or sublessor] hereby acknowledges the terms and conditions set forth in this paragraph."

If the Lessee shall fail to include, incorporate by reference or otherwise cause the contract, invoice, bill or purchase order to be subject to, the above applicable language in substantially the above form, then solely for purposes of Sales and Use Taxes, such contract, invoice, bill or purchase order shall not be an undertaking on behalf of the Agency and shall not be entitled to any of the benefits of sales or use tax exemptions able to be conferred by the Agency, and the Lessee shall not claim any Sales Tax Savings with respect to any such contract, invoice, bill or purchase order and the Lessee shall return to the Agency any such benefits or exemptions so taken, together with interest on such amount at the rate of eighteen percent (18%) per annum, from the date of such taking.

(c) Concurrently with the execution of the IDA Lease Agreement, the Agency shall make available to the Lessee the Sales Tax Letter. The Agency, at the sole cost and expense of the Lessee, shall also execute such other authorizations, letters and documents (and such amendments and supplements to the Sales Tax Letter) as may be reasonably necessary to permit the Lessee to obtain the intended benefits hereunder. Subject to the terms of the IDA Lease Agreement, it is intended that the aggregate scope of the Sales Tax Savings received by the

Lessee pursuant to the IDA Lease Agreement and the Sales Tax Letter shall be limited as set forth below:

(i) The Sales Tax Letter shall be dated the date of execution of the IDA Lease Agreement and shall be effective for a term (said term constituting the "Sales Tax Exemption Period") commencing on its date and expiring upon the earliest of (1) August 31, 2010, (2) the completion of the Project as provided in Section 2.2 hereof, (3) the termination of the IDA Lease Agreement, (4) receipt by the Lessee of notice from the Agency of the termination of the Sales Tax Letter, or (5) the termination of the Sales Tax Letter pursuant to Section 7.2 hereof.

(ii) The sales and use tax exemption to be provided pursuant to the Sales Tax Letter:

(A) shall not be available for payment of any costs other than Project Costs for Tenant Improvements, Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts,

(B) shall only be utilized for Tenant Improvements, Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts which shall be purchased, completed or installed for use only by the Lessee at the Leased Facilities (and not with any intention to sell, transfer or otherwise dispose of any such Tenant Improvements, Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts to a Person as shall not constitute the Lessee, an Affiliate or an Eligible Affiliate),

(C) [Reserved],

(D) shall not be available for any date subsequent to which the Sales Tax Letter shall have been suspended, provided, however, that in the event the Lessee shall thereafter cure any defaults under the IDA Lease Agreement, or the Agency shall thereafter waive such suspension, as applicable, the Sales Tax Savings shall again continue from the date of such cure or such waiver,

(E) shall not be available for any date subsequent to which the Sales Tax Letter shall have been suspended as provided in Section 2.5(c)(i) hereof, provided, however, that in the event the Lessee shall thereafter cure any defaults under the IDA Lease Agreement, or the Agency shall thereafter waive such suspension, as applicable, the Sales Tax Savings shall continue,

(F) shall not be available for any cost of utilities, cleaning service or supplies,

(G) shall only be available for those costs set forth in Exhibit A to the Sales Tax Letter.

(iii) The Sales Tax Savings authorizations provided to the Lessee under the Sales Tax Letter and the IDA Lease Agreement availed of by the Lessee shall extend to

those Project Costs the payment for which shall be made from the proceeds of the Bonds, Project Costs the payment of which is to be reimbursed from the proceeds of the Bonds and Project Costs paid by the Lessee.

(iv) Upon request by the Agency of, and reasonable notice to the Lessee, the Lessee shall make available at reasonable times to the Agency and the Independent Accountant all such books and records of the Lessee and require all appropriate officers and employees of the Lessee to respond to reasonable inquiries by the Agency and the Independent Accountant, as shall be necessary to indicate in reasonable detail those costs to which the Lessee shall have utilized the Sales Tax Letter and the dates and amounts so utilized.

(v) The Lessee shall use its best efforts to obtain covenants to the Agency from each materialman, supplier, vendor or laborer to whom the Sales Tax Letter is presented by the Lessee to the effect that such materialman, supplier, vendor or laborer shall not utilize the Sales Tax Letter for any purpose other than for the acquisition of Facility Improvement Materials or Tenant Improvements for incorporation into the Leased Facilities.

(vi) The Lessee shall submit to the Agency on August 1 of each year commencing August 1, 2003, until completion of the Project, a completed Benefits Report in the form of Appendix D attached hereto to the extent that the Lessee shall have received Sales Tax Savings during the twelve-month period ending on the June 30 immediately preceding such August 1.

(vii) The Lessee shall, at the end of the Sales Tax Exemption Period, return the original Sales Tax Letter to the Agency, or if the original Sales Tax Letter has been lost, the Lessee shall submit an affidavit to the Agency stating the fact of such loss.

(viii) The Lessee shall on February 28, 2003 and on each February 28 thereafter during the term hereof, annually file a statement (Form ST-340) in the form attached hereto as Appendix B or any successor or additional mandated form, with the New York State Department of Taxation and Finance, at such times as are prescribed or permitted by applicable regulations of the New York State Department of Taxation and Finance, of the value of all Sales Tax Savings claimed by the Lessee under the Sales Tax Letter, including, but not limited to, consultants or subcontractors of such agents, under the authority granted pursuant to the Sales Tax Letter and the IDA Lease Agreement. Should the Lessee fail to comply with the foregoing requirement within 30 days after notice from the Agency to the Lessee of such failure, the Lessee shall immediately cease to be the agent for the Agency for purposes of this Section 2.5 and the Sales Tax Letter (such agency relationship being deemed to be immediately revoked upon such failure) without any further action of the parties and the Agency shall have no liability (whether pecuniary or otherwise) for any failure of the Lessee to realize the Sales Tax Savings intended to be conferred pursuant to this Section 2.5 and the Sales Tax Letter. In the event that within sixty (60) days (or such longer period as may be permitted by the Agency in its sole discretion) of such failure to comply, the Lessee remedies any aforesaid noncompliance,

then the Agency shall reinstate the Lessee as agent of the Agency for purposes of this Section 2.5 and the Sales Tax Letter.

Notwithstanding any other provision of the IDA Lease Agreement or the Sales Tax Letter, Eligible Personalty, Facility Equipment, Facility Improvement Materials, Leased Personalty, Maintenance Contracts, Project, Project Premises, Qualified Maintenance, Qualified Personalty Lease, and Tenant Improvements shall specifically be deemed to exclude any land or site underlying such items. Lessee's Property with regard to which no such Sales Tax Savings is taken shall not be subject to the obligations set forth in the IDA Lease Agreement or the Sales Tax Letter. Solely for purposes of this Section 2.5 and Section 8.7 hereof, Eligible Personalty, Facility Equipment, Facility Improvement Materials, Leased Personalty, Maintenance Contracts, Project, Project Premises, Qualified Maintenance, Qualified Personalty Lease, and Tenant Improvements shall in each case only refer to such items for which Sales Tax Savings shall have been granted pursuant to the IDA Lease Agreement and the Sales Tax Letter. Any Facility Improvement Materials, Facility Equipment, Leased Personalty and Lessee Property for which no Sales Tax Savings have been granted pursuant to the IDA Lease Agreement and the Sales Tax Letter shall not be subject to Sections 2.5 and 8.7 of the IDA Lease Agreement.

Section 2.6. Title Insurance. Prior to the delivery of the first Series of Bonds to the original purchaser(s) thereof, the Lessee will obtain leasehold title insurance in an amount not less than $1,000,000 insuring the Agency's leasehold interests under the Company Sublease.

ARTICLE III

Issuance of Bonds and Additional Bonds, Lease of Facility and Rental Provisions

Section 3.1. Issuance of Additional Bonds. The Agency and the Lessee recognize that under the provisions of and subject to the conditions set forth in the Indenture, the Agency is authorized to enter into Series Supplemental Indentures and issue one or more Series of Additional Bonds for the purpose of paying Project Costs. If an Event of Default shall not exist hereunder, the Agency in its sole discretion, will consider the issuance of Additional Bonds in a principal amount as is specified in a written request in accordance with the applicable provisions set forth in the Indenture. In conjunction with the issuance of each Series of Additional Bonds pursuant to the Indenture, the Agency and the Lessee shall enter into an IDA Lease Amendment amending the IDA Lease Agreement providing, among other things, for the payment by the Lessee of such rentals as are necessary in order to pay the principal of, Purchase Price and Redemption Price, if any, of and interest on such Additional Bonds and any other costs in connection therewith. The proceeds of sale of each series of Additional Bonds shall be deposited and applied in accordance with the Indenture. Any completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions, improvements or substitutions financed by Additional Bonds shall become a part of the Facility and shall be included under the IDA Lease Agreement to the same extent as if originally included hereunder. It is not the intention of the parties to the IDA Lease Agreement that the Lessee be deemed to have acquired any ownership interest in any such completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions, improvements or substitutions.

Section 3.2. Lease of the Facility. Subject to the Basic Lease, the Port Authority has subleased the Leased Facilities to the Lessee pursuant to the PA Lease, and the Lessee has, subject to the Basic Lease, the PA Lease, the Consent Agreement, the ATL and the RNDA, sub-subleased the Leased Facilities to the Agency pursuant to the Company Sublease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease the Leased Facilities to the Lessee and the Lessee will sub-sub-sublease such Leased Facilities from the Agency, in each case subject to the Basic Lease, the PA Lease, the Company Sublease, the Consent Agreement, the ATL and the RNDA and the City-American Lease (if then effective), and the Agency shall lease the Facility Equipment to the Lessee and the Lessee shall lease the Facility Equipment from the Agency, all for and during the term herein provided and upon and subject to the terms and conditions herein set forth. Each unit or class of units of property comprised or expected to be comprised by the Leased Facilities, the cost of the construction or improvement of which is to be paid or reimbursed out of the proceeds of the Bonds, shall be described in accordance with Section 3.5 hereof in one or more leased facilities schedules in the form of Exhibit A (each a "Leased Facilities Schedule"), to be attached as a part of Schedule I hereto and each Leased Facilities Schedule will thereupon be deemed to be made a part of the IDA Lease Agreement for all purposes. Each item of Facility Equipment, the cost of acquisition of which is to be paid or reimbursed out of the proceeds of the Bonds, shall be described in accordance with Section 3.5 hereof in one or more equipment schedules, in the form of Exhibit A (each an "Equipment Schedule"), to be attached as a part of Schedule I hereto and each Equipment Schedule will thereupon be deemed to be made a part of the IDA Lease Agreement for all purposes. The Lessee shall at all times during the term of the IDA Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a qualified "project" in accordance with the provisions of the Act, and in accordance with the Basic Lease, the PA Lease, the Consent Agreement, the ATL and the RNDA and the City-American Lease (if then effective), and for the general purposes specified in the recitals to the IDA Lease Agreement.

Section 3.3. Duration of Term with Respect to Leased Facilities. (a) The term of the IDA Lease Agreement shall commence on the date of execution hereof and unless earlier terminated pursuant to the terms hereof shall terminate on termination of the Company Sublease.

(b) The Lessee's obligations hereunder (including without limitation, the Lessee's obligations to pay rentals as set forth in Sections 3.4, 3.8 and 6.3 hereof, and the Lessee's indemnification obligations set forth in Section 6.2 hereof) shall continue in full force and effect notwithstanding any termination or expiration of the IDA Lease Agreement until the date on which no Bonds are Outstanding under the Indenture.

Section 3.4. Rental Provisions; Pledge of Agreement and Rent. (a) With respect to each Series of Bonds the Lessee covenants to make rental payments which the Agency agrees shall be paid by the Lessee (or by a Credit Facility Provider for the account of the Lessee) in immediately available funds directly to the Trustee on or prior to each Interest Payment Date, date of acceleration, principal payment date (whether principal is due by scheduled maturity, acceleration or otherwise), or redemption date for the Bonds for deposit in the Lease Payments Fund (if made by the Lessee, but only to the extent amounts then on deposit in such Lease Payments Fund shall not be available and sufficient therefor) or the Bond Fund (if made by a Credit Facility Provider for the account of the Lessee) in an amount equal to the sum of (i) with respect to interest due and payable on the Bonds of such Series, an amount equal to the interest

due and payable on the Bonds on such Interest Payment Date, principal payment date, redemption date or date of acceleration, (ii) the principal amount of the Bonds of such Series then Outstanding due on such Interest Payment Date, principal payment date or date of acceleration (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), (iii) the Sinking Fund Installments, if any, due on the Bonds of such Series on such Interest Payment Date, and (iv) the Redemption Price of the Bonds of such Series to be redeemed which will become due on such redemption date together with accrued interest to the date of redemption.

(b) Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Lease Payments Fund (if payments made pursuant to Section 3.4(a) are made by the Lessee) or in the Bond Fund (if payments made pursuant to Section 3.4(a) are made by a Credit Facility Provider for the account of the Lessee) is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on such Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Lessee shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Lease Payments Fund and such payment shall constitute rental payments hereunder.

(c) The Lessee further covenants to make rental payments which the Agency agrees shall be paid by the Lessee in immediately available funds directly to the applicable Tender Agent for deposit into the applicable Lessee Payments Account of the applicable Bond Purchase Fund on or prior to each Purchase Date for the Bonds in an amount equal to Purchase Price for such Bonds tendered or deemed tendered for purchase solely to the extent amounts available under any applicable Credit Facility or amounts on deposit in the applicable Bond Purchase Fund shall be insufficient to pay the Purchase Price thereof on a Purchase Date therefor.

(d) In the event the Lessee should fail to make or cause to be made any of the payments required under the foregoing provisions of this Section, the item or installment not so paid shall continue as an obligation of the Lessee until the amount not so paid shall have been fully paid, and continue to bear interest at the rate or rates borne by the Bonds.

(e) The Lessee shall have the option to prepay its rental obligations with respect to the Bonds, in whole or in part at the times and in the manner provided in Article VIII hereof as and to the extent provided in the Indenture for redemption of Bonds.

(f) At its option, to be exercised on or before the thirtieth (30th) day next preceding the date any Bonds are to be redeemed from mandatory Sinking Fund Installments, the Lessee may deliver to the Trustee Bonds that are subject to mandatory Sinking Fund Installment redemption on that date. Each such Bond so delivered shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Agency in such amounts for each such Sinking Fund Installment payment date as shall be designated in writing by the Lessee to the Trustee, and the principal amount of Bonds to be redeemed by operation of the mandatory Sinking Fund Installments shall be accordingly reduced.

(g) No further rental payments need be made to the Agency during the term of the IDA Lease Agreement when the amount of cash and/or Government Obligations on deposit in

the Bond Fund is sufficient to satisfy and discharge the obligations of the Agency under the Indenture and pay all of the Bonds as provided in Section 10.01 of the Indenture.

(h) Pursuant to the Leasehold Mortgage, as security for the payment of amounts due under the Guaranty, the Lessee shall grant a leasehold mortgage lien on and security interest in its leasehold interest under the PA Lease. The lien of the Leasehold Mortgage will be superior to the lien on lease payments hereunder granted to the Trustee pursuant to the Indenture. Pursuant to the Indenture, the Agency will pledge and assign to the Trustee as security for the Bonds all of the Agency's non-possessory right, title and interest in the IDA Lease Agreement (except for the Agency's Reserved Rights), including all rental payments under the IDA Lease Agreement, and in furtherance of said pledge the Agency will unconditionally assign such rental payments to the Trustee for deposit in the Lease Payments Fund and/or the Applicable Bond Purchase Fund as the case may be in accordance with the Indenture. The Lessee hereby consents to the above-described pledge and assignment of the IDA Lease Agreement.

(i) The Lessee acknowledges and consents to the provisions of the Indenture with respect to the Lessee and agrees that the Trustee shall have the power, authority, rights and protections provided in the Indenture.

(j) The Lessee covenants and agrees (i) in accordance with clauses (ii) and (iii) below, to cause any Account of the Debt Service Reserve Fund established with respect to a particular Series of Bonds to be maintained at the Applicable Debt Service Reserve Account Requirement relating to such Series of Bonds, subject to withdrawals therefrom and to deficiencies therein based on a valuation of the asset thereof, (ii) to replenish any withdrawals from such Account of the Debt Service Reserve Fund, to the extent necessary to cause such Account of the Debt Service Reserve Fund to be funded at the Applicable Debt Service Reserve Account Requirement, by paying twelve (12) monthly installments to the Trustee in an amount equal to one-twelfth (1/12) of such withdrawal, in immediately available funds, the payment of such installments to commence on the first Business Day of the first calendar month immediately succeeding such withdrawal, and (iii) to replenish any deficiencies in such Account of the Debt Service Reserve Fund based on a valuation of the assets thereof in each case by making twelve (12) monthly installments to the Trustee in an amount equal to one-twelfth (1/12) of such valuation deficiency, in immediately available funds, the payment of such installments to commence on the first Business Day of the calendar month immediately succeeding such valuation.

Section 3.5. Allocation of Rent. The Agency and the Lessee acknowledge the intent of the Lessee, and the Lessee covenants that solely for Federal income tax purposes the Leased Facilities and each unit of Facility Equipment constituting Financed Property are to be treated as property that is governmentally owned (within the meaning of section 142(b) of the Code) and leased to the Lessee pursuant to the terms of the IDA Lease Agreement, the PA Lease and the City-American Lease (if then effective). Payments made pursuant to the IDA Lease Agreement entered into with respect to such property are to be characterized as rental payments (or interest in respect of deferral or acceleration of rental payments) in respect of the right to possession of such property conveyed to the Lessee thereby.

Within a reasonable period of time following the execution and delivery of the IDA Lease Agreement and in addition to the Lessee's obligations under Section 2.5(c)(vi), the Lessee shall prepare and provide to the Agency for attachment as Schedule I of the IDA Lease Agreement a Leased Facilities Schedule and Equipment Schedule (sometimes collectively referred to herein as a "Property Schedule") that (w) describes (with such specificity as the Lessee deems necessary or appropriate) by the portion of the cost thereof financed with such proceeds, the expected economic life thereof and the period of time over which the Lessee shall have the right to possession thereof pursuant to this IDA Lease Agreement (the "Primary Term" in respect thereof), each unit or class of units of property comprised or expected to be comprised by the Leased Facilities or Facility Equipment constituting Financed Property (x) sets forth the schedule of payments under the IDA Lease Agreement (and, if deemed desirable by the Lessee, of any payments under the PA Lease or the Basic Lease) to be paid by the Lessee in respect of such unit or class of units for federal income tax purposes in accordance with section 467 of the Code, (y) specifies the portions of such allocated payments (or the method of determination of such portions) allocable to each rental period in respect of such unit or class of units for federal income tax purposes in accordance with section 467 of the Code, and (z) in the case in which there is to be rent paid on a deferred basis (as described in section 467(d) of the Code) or a prepayment basis (as referred to in section 467(f) of the Code), specifies or provides a formulaic process for the allocation of each aforementioned payment for federal income tax purposes as rent, as payments treated as interest paid by the Lessee in respect of deferred rent, or as payments treated as interest received by the Lessee in respect of prepaid rent (or, alternatively or additionally, includes a schedule that sets forth the amount of interest to accrue for purposes of section 467 of the Code in respect of amounts treated as prepaid or deferred rent for federal income tax purposes for each applicable period and the balance on which such interest will accrue). The Lessee may subsequently prepare and provide to the Agency in accordance with Section 6.14 hereof, for substitution onto Exhibit A of the IDA Lease Agreement in lieu of the then-effective Property Schedule, a modified Property Schedule that may contain such additional descriptions and allocations of rental payments for federal income tax purposes as the Lessee deems appropriate and shall indicate the extent to which such modifications are to be treated as of retroactive effect.

Notwithstanding the foregoing, to the extent that any payment made under the IDA Lease Agreement is not yet allocable to the use of any property (for example, because one or more units of property financed with proceeds of Bonds has not yet been placed in service), such payment shall be treated as being for the maintenance under the IDA Lease Agreement of its right to lease subsequently identified property (a "Lease Facility Maintenance Payment"). The Lessee and the Agency understand and intend that Lease Facility Maintenance Payments, being payments that are not yet allocable for federal income tax purposes to the use of any unit of property, are to be treated for such purposes not as rent or stated interest (within the meaning of section 467 of the Code), but rather as charges (net of earnings on the investment of such proceeds) by the Agency for maintaining the continued availability of such monies for application by the Agency to additional costs of property to be leased to the Lessee hereunder.

Section 3.6. Ownership of the Facility Equipment.

(a) It is the intent of the parties hereto that solely for Federal income tax purposes, the Agency will be treated as the owner and lessor of the Facility Equipment constituting Financed

Property not deemed owned by the Port Authority or the City under the PA Lease, the Basic Lease, or the City-American Lease (if then effective) (the "IDA Equipment"). The parties hereto hereby agree that neither the Agency, nor any person controlled by, in control of, or under common control with the Agency or the Lessee, directly or indirectly, will at any time take any action or file any return or other document that is inconsistent with the foregoing assumption.

(b) Pursuant to the IDA Lease Agreement, except as otherwise provided hereunder, no right, title or interest in any item of IDA Equipment shall pass to, or be owned, held or claimed by the Lessee, except the right to maintain possession and use of such item during the term and subject to the provisions of the IDA Lease Agreement, except such right, title and interest as may pass to the Lessee by reason of the exercise of its right of substitution or its Right of First Refusal pursuant to Article VIII hereof.

(c) Upon the request of the Agency, the Lessee shall, at the Lessee's expense, affix and keep affixed in or on any item of IDA Equipment, labels, plates or other markings, acceptable in design, placement and content to the Agency, stating that the Agency is the "owner-lessor" of such item of IDA Equipment; provided, however, that the Lessee shall not be required to affix any such materials if in the reasonable judgment of the Lessee such affixation would interfere with the use of such IDA Equipment for its intended application.

(d) Upon the expiration of the Primary Term in respect of each item of IDA Equipment or any prior termination of the IDA Lease Agreement for any reason, the Lessee shall return such item of IDA Equipment not previously purchased or replaced in accordance with the provisions of Article VIII hereof to the Agency free and clear of all liens, encumbrances, taxes, impositions and charges of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen (except Permitted Encumbrances); provided, however, that any taxes or other liabilities that have accrued with respect to such item of IDA Equipment, but that are not yet payable, at the expiration of the Primary Term, shall be paid or discharged by the Lessee. In addition, subject to the Lessee's rights to determine that the IDA Equipment has become obsolete or surplus, or that repair or use thereof has become uneconomical to the Lessee as provided in Section 8.1, such IDA Equipment shall be returned to the Agency in such condition as the Agency shall have deemed appropriate for its own uses. Any item of IDA Equipment not delivered in accordance with this paragraph shall continue to be subject to all of the rights and duties of the parties set forth in the IDA Lease Agreement.

(e) Notwithstanding any other provision of the IDA Lease Agreement to the contrary, except as provided in Section 8.3 hereof, upon expiration of the duration of the term of the IDA Lease Agreement, all remaining IDA Equipment shall be transferred by the Agency to the City or the designee of the City.

Section 3.7. Obligation of Lessee Unconditional. The obligation of the Lessee to pay the rent and all other payments provided for in the IDA Lease Agreement and to maintain the Facility in accordance with Section 4.1 of the IDA Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Port Authority, the City, the Trustee or the Holder of any Bond and the obligation of the Lessee shall arise whether or not the Project has been completed

as provided in the IDA Lease Agreement, whether or not the Lessee's rental payments are or become subject to any lien, and whether or not the Basic Lease, the PA Lease or the City-American Lease shall have been terminated or shall have expired. The Lessee will not suspend or discontinue any such payment or terminate the IDA Lease Agreement (other than such termination as is permitted hereunder) for any cause whatsoever, and the Lessee waives all rights now or hereafter conferred by statute or otherwise (i) to quit, terminate, cancel or surrender the IDA Lease Agreement or any obligation of the Lessee under the IDA Lease Agreement, except as permitted by the IDA Lease Agreement or (ii) to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments hereunder or thereunder.

Section 3.8. Payment of Purchase Price of Tendered Bonds. (a) Any payment by the Lessee to an applicable Tender Agent of amounts necessary to pay the Applicable Purchase Price of the related maturity or maturities of a Series of Bonds pursuant to the Indenture shall be in immediately available funds and paid to the applicable Tender Agent at its principal corporate trust office on the date set forth in the Indenture.

(b) The Lessee hereby approves and agrees to be bound by the provisions of the Indenture regarding the purchase, offer, sale and delivery of each Series of Bonds required to be tendered for purchase thereunder. The Lessee shall have all of the rights and obligations provided in the Indenture with respect to the Lessee in connection with such transactions and the appointment of the applicable Tender Agent and the Remarketing Agent thereunder. The Agency shall have no obligation or responsibility with respect to the purchase of any Series of Bonds or any related arrangements, except that the Agency at the expense of the Lessee shall cooperate in the making of any such arrangements.

Section 3.9. Credit Facility.

(a) On the first date that a Series of Bonds bears interest at a Variable Interest Rate, the Lessee will cause to be delivered to the Trustee the Applicable Credit Facility and other necessary documents or opinions related thereto referred to in the Indenture. The Lessee hereby authorizes and directs the Trustee to draw moneys under the Applicable Credit Facility that may at the time be in effect with respect to a Series of Bonds in accordance with its terms and the provisions of the Indenture to the extent necessary to (i) make payments of the principal of, redemption premium (if any, and only to the extent provided for in such Applicable Credit Facility) and interest on such Series of Bonds as and when the same become due, and (ii) pay the Purchase Price required to be paid pursuant to the Indenture as and when the same become due.

(b) The Lessee shall have the option to terminate, modify, extend or otherwise reduce the coverage of the Applicable Credit Facility for a Series of Bonds or to replace such Applicable Credit Facility with an Alternate Credit Facility as provided in the Indenture; provided that if an Applicable Credit Facility is in effect with respect to a Series of Bonds, it shall secure all outstanding Bonds of such Series. So long as a Series of Bonds bears interest at a Long Term Rate, the Lessee shall not be required to provide or maintain a Credit Facility with respect to such Series of Bonds.

If at any time (i) there shall have been delivered to the Trustee an Alternate Credit Facility with respect to a Series of Bonds, together with the documents and opinions required by

the Indenture, or (ii) the Lessee shall give written instructions to the Trustee to terminate the then existing Applicable Credit Facility, then the Trustee shall promptly surrender the same to the issuer thereof for cancellation, in accordance with the terms of such Applicable Credit Facility and the Indenture.

(c) Notwithstanding any other provision of this Section 3.9, the Lessee shall not pledge, or otherwise grant a lien on or security interest in, any cash, security or other assets (other than a Series of Bonds) as security for the issuer of the Credit Facility unless the Lessee furnishes to the Agency and Trustee a Favorable Opinion of Bond Counsel as to such pledge, lien or other security interest.

(d) So long as a Credit Facility shall remain in effect with respect to a Series of Bonds, the principal of and interest on such Series of Bonds shall be paid in the first instance from proceeds of draws under such Applicable Credit Facility and second from any amounts payable by the Lessee, and any available moneys representing the payments by the Lessee and other amounts referred to in Section 3.4(a) and (b) shall at the direction of the Lessee be used to reimburse the Credit Facility Provider for such draws as provided in the Indenture and payments of the Applicable Purchase Price of such Series of Bonds shall be paid from remarketing proceeds and, if necessary, from the proceeds of draws under the Applicable Credit Facility and any available moneys representing payments by the Lessee and other amounts referred to in Section 3.4(c) shall at the direction of the Lessee be used to reimburse the Credit Facility Provider for such draws as provided in the Indenture.

ARTICLE IV

Maintenance, Taxes and Insurance

Section 4.1. Maintenance, Alterations and Improvements. (a) During the term of the IDA Lease Agreement, the Lessee will keep the Leased Facilities and the Facility Equipment in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the PA Lease, the Consent Agreement, the City-American Lease (if then effective) and the IDA Lease Agreement, and will make (subject to the Lessee's rights under Section 5.1(c) hereof), all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure the continued operation of the Facility. All replacements, renewals and repairs shall be made and installed in compliance with the requirements of all governmental bodies having a jurisdiction therefor. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Lessee hereby agrees to assume full responsibility therefor.

(b) The Lessee shall have the right to make such alterations of or additions to the Facility or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, provided that (i) such additions or alterations are effected in compliance with all applicable legal requirements, (ii) such additions or alterations do not change

either the nature of the Facility so that it would not constitute a qualified "project" under the Act nor the nature of the Financed Property so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, and (iii) such additions or alterations are effected in accordance with the Basic Lease, the Consent Agreement, the PA Lease and the City-American Lease (if then effective). All alterations of and additions to the Facility shall constitute a part of the Facility, subject to the IDA Lease Agreement, the Leasehold Mortgage, the Equipment Security Agreement, the PA Lease, the Consent Agreement, the Company Sublease, the Basic Lease and the City-American Lease (if then effective), and the Lessee shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to subject such property to the IDA Lease Agreement and, in the case of the Leased Facilities, the Company Sublease.

(c) Notwithstanding anything in the IDA Lease Agreement to the contrary, the Lessee shall have the right to install or permit to be installed at the Leased Facilities machinery, equipment and other tangible personal property not constituting part of the Facility Equipment (the "Lessee's Property") without subjecting such property to the IDA Lease Agreement, the Leasehold Mortgage or the Equipment Security Agreement. The Agency shall not be responsible for any loss of or damage to the Lessee's Property. Subject to the terms of the PA Lease or the City-American Lease, if any, the Lessee shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Lessee's Property provided that such mortgage, encumbrance, lien or charge or conditional sale or title retention agreement does not create or constitute a lien or encumbrance on the Facility except for Permitted Encumbrances.

(d) The Lessee shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the interest of the Agency or the Lessee in the Company Sublease or the IDA Lease Agreement or the amounts payable hereunder with respect to any Series of Bonds, other than Permitted Encumbrances.

Section 4.2. [Reserved]

Section 4.3. Taxes, Assessments and Charges. The Lessee shall pay when the same shall become due all taxes and assessments (excluding Sales and Use Taxes for which an exemption has been granted pursuant to the Preliminary Sales Tax Letter and the Sales Tax Letter and the provisions hereof), general and specific, if any, levied and assessed upon or against the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage, the interest of the Trustee under the Indenture, any estate or interest of the Agency or the Lessee in the Facility, or the rentals or other payments hereunder during the term of the IDA Lease Agreement, and all charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are herein called "Impositions". The Agency shall promptly forward to the Lessee any notice, bill or other statement received by the Agency concerning any Imposition. The Lessee may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

The Lessee may contest in good faith the validity, existence or applicability of any Imposition if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of such Imposition against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease or the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the interest of the Trustee under the Indenture, and (ii) such contest shall not result in the Agency or the Trustee being in any danger of any criminal liability for failure to comply therewith. In the event that any Imposition shall be imposed upon the Agency's interest in the Facility, the IDA Lease Agreement or the rentals or other payments hereunder, and the Lessee shall pay the same as required by this Section 4.3, the Lessee shall be subrogated to the Agency's right, if any, to contest the validity of such Imposition.

Section 4.4. Insurance. (a) At all times throughout the term of the IDA Lease Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Lessee shall maintain or cause to be maintained property and casualty insurance and other policies of insurance relating to the Project for the benefit of the Lessee, the Agency and the Trustee (which for purposes of this Section 4.4 means the Trustee, the Leasehold Mortgagee, or any successor leasehold mortgagee), with insurance companies having a minimum Best's rating of "A-" (Excellent) and Financial Size Category VII or larger, or as otherwise deemed satisfactory to the Agency, and authorized to do business in the State, against the following risks, loss, damage and liability (including liability to third parties) and in such amounts as are set forth below:

(i) (A) Workers' compensation insurance in amounts required by law, (B) Employers' liability insurance, including (I) coverage of bodily injury by accident in the amount of $1,000,000 each accident and (II) bodily injury by disease in the amount of $1,000,000 per employee with a $1,000,000 policy limit,

(ii) Excess employers' liability insurance with minimum limits of $25,000,000 per occurrence, and

(iii) Such other insurance in such amounts and against such insurable hazards as the Agency from time to time may reasonably require, provided that such insurance is generally obtainable and is customarily obtained by air carriers (or their affiliates) of comparable creditworthiness as the Lessee and which are operators of similar facilities at John F. Kennedy International Airport at commercially reasonable rates.

(b) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under the IDA Lease Agreement, the Lessee during the construction of the Facility up to the date of completion (in accordance with Section 2.2 hereof), in its own name as insured and including the Agency and the Trustee as additional insureds shall maintain and pay the premiums on a policy or policies of comprehensive general liability insurance, including, but not limited to, premises-operations, products-completed operations, explosion, collapse and underground property damages, personal injury and independent contractors, with a broad form property damage endorsement, and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to the applicable sections of the PA Lease, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles and

environmental impairment liability insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a one year extended reporting period and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Lessee pursuant to Section 6.2(c) hereof. The said comprehensive general liability insurance policy required during construction of the Project shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability on a per location/per aggregate basis. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability. The said environmental impairment liability insurance shall have a limit of not less than $10,000,000 combined single limit per occurrence for death bodily injury and property damage liability for both gradual and sudden occurrence. A comprehensive general liability insurance policy with asbestos removal/abatement coverage, with respect solely to said asbestos removal/abatement portions of the construction work, shall have a limit of not less than $5,000,000 combined single limit per occurrence for bodily injury and property damage liability and each such policy shall be project specific with respect to said portions of the construction work. The Lessee must also maintain an "all risk" builders risk policy in an amount not less than the completed value of the work being performed, including coverage for items stored off-site and time in transit for an amount sufficient to cover fully any loss. Professional liability (errors and omissions) insurance for any architect, engineer, or other person or entity providing professional services to Lessee and/or employed in connection with the design/build or maintenance of the Facility, with limits in an amount of not less than $1,000,000, must be maintained as well. The foregoing shall be in addition to all policies of insurance otherwise required by the IDA Lease Agreement, or the Lessee may provide such insurance by requiring each contractor or subcontractor engaged by it for the construction work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Lessee or by a contractor or subcontractor engaged by it as aforesaid, not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Lessee or of any of its contractors or subcontractors which would conflict with or in any way impair coverage under the contractual liability endorsement. Further, the Lessee shall provide and maintain or shall require each contractor engaged by it for the construction work, or any portion thereof, to provide and maintain contractor's property and equipment coverage for the full value of such property and equipment with the Agency insured thereunder as its interests may appear. All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protection afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protection afforded the Agency or the Trustee thereunder and with respect to any claim or action against the Agency and the Trustee by the Lessee shall be the same as the protection afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person as if the Agency or the Trustee were the named insureds thereunder, but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency or the Trustee thereunder as an additional insured. Notwithstanding the foregoing, it is specifically understood and agreed that the Agency shall have the right upon notice to the Lessee given from time to time and at any time to require the Lessee to increase any or all of the foregoing limits to

reasonably commercial amounts and the Lessee shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Agency and the Trustee.

(c) In addition to the obligations set forth in paragraph (a) of this Section and all other insurance required under the IDA Lease Agreement, the Lessee during the term of the IDA Lease Agreement in its own name as insured and including the Agency and the Trustee as additional insureds, shall maintain and pay the premiums on a policy or policies of property insurance, to insure all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Project Premises covered by the IDA Lease Agreement against all risks of physical loss or damage (including, but not limited to flood and earthquake risks) if available, and if not available, then against such hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York, and also covering boiler and machinery hazards and risks in a separate insurance policy or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the rating organization of the State, comprehensive general liability insurance, including premises-operations, products liability, liquor liability and completed operations, and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles providing for coverage in the limits set forth below. As to the said comprehensive general liability insurance the Lessee may, in lieu of the foregoing requirement with respect to care, custody and control exclusions, elect, in its own name as insured and including the Agency and the Trustee as additional insureds as their interests may appear, to maintain and pay the premiums on a baggage legal liability, a cargo legal liability and a real property legal liability policy or policies in the limits set forth below. The said property insurance policy shall be written on an "all risk" basis with an agreed amount endorsement attached. The said comprehensive general liability insurance policy shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability.

The minimum limits as to the aforesaid baggage legal liability, cargo legal liability and real property legal liability policy and policies shall be as follows:

Baggage Legal Liability	$10,000,000
Cargo Legal Liability	$10,000,000
Real Property Legal Liability (Fire Legal Liability)	$10,000,000

All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Lessee thereunder with respect to any claim or action against the Lessee by a third person shall pertain and apply with like effect with respect to any claim or action against the Lessee by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protections afforded the Agency and the Trustee thereunder and with respect to any claim or action against the Agency or the Trustee by the Lessee shall be the same as the protections afforded the Lessee thereunder with respect to any

claim or action against the Lessee by a third person as if the Agency or the Trustee were the named insureds thereunder, but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency and the Trustee thereunder as additional insureds. The said policy or policies of insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Lessee under Section 2(a) of the PA Lease and any analogous provision of the City-American Lease (if then effective).

(d) Without limiting the provisions hereof, in the event the Lessee maintains the foregoing insurance in limits greater than aforesaid, the Agency and the Trustee shall be included therein as additional insureds to the full extent of all such insurance in accordance with all the terms and provisions hereof.

(e) As to the insurance required by the provisions of this Section, a certified copy of the certificate or certificates or binders (or, but only for the policies required by paragraph (c), above, a letter of an insurance broker), evidencing the existence thereof, shall be delivered by the Lessee to the Agency and the Trustee. Each certificate or binder delivered as aforesaid shall bear the endorsement of or be accompanied by evidence of payment of the premium thereon. In the event a binder is delivered, it shall be replaced as soon as practicable by a certified copy of the certificate. Each certificate or binder shall contain a valid provision or endorsement that the policy may not be cancelled, non-renewed, terminated, changed or modified without giving ten (10) days' written advance notice thereof to the Agency. Each such policy, certificate or binder shall contain an additional endorsement providing that the insurance carrier shall not, without obtaining express advance permission from an Authorized Representative of the Agency, raise any defense involving in any way the jurisdiction of the tribunal over the person of the Agency or the Trustee, the immunity of the Agency, its members, officers, agents or employees, the governmental nature of the Agency or the provisions of any statutes respecting suits against the Agency. Any renewal certificate shall be delivered to the Agency and the Trustee at least five (5) days prior to the expiration of each expiring policy, except for any policy expiring after the date of expiration of the term of the IDA Lease Agreement. A certificated copy of the policy shall be delivered to the Agency and the Trustee as soon as practicable thereafter. If at any time any of the insurance policies shall be or become unsatisfactory to the Agency as to the form or substance or if any of the carriers issuing such policies shall be or become unsatisfactory to the Agency, the Lessee shall promptly obtain a new and satisfactory policy in replacement, the Agency covenanting and agreeing not to act unreasonably hereunder. If the Agency at any time so requests, the Lessee shall make available to the Agency and the Trustee at a location in the City, during normal business hours, the original or a certified copy of the entirety of each of the said policies and shall, upon request, deliver to the Agency and the Trustee a certified copy of such portions of said policies pertaining to the coverage hereunder as the Agency shall request.

(f) All insurance required by this Section 4.4 shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

(g) The Lessee shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Agency to collect from insurers for any loss covered by any insurance required to be obtained by this Section 4.4. The Lessee shall not do

any act, or suffer or permit any act to be done, whereby any insurance required by this Section 4.4 would or might be suspended or impaired.

In addition to notifying its insurer(s) in accordance with the policies, the Lessee shall provide prompt written notice to the Agency and the Trustee as soon as reasonably possible of any accident or loss relating to the Facility likely to exceed 50% of the applicable coverage limits. The limits of insurance in this section shall in no way be construed to limit the Lessee's, its contractors' or its subcontractors' liability under the IDA Lease Agreement. All insurance provided by the Lessee, its contractors and its subcontractors shall be primarily as regards the liabilities under the IDA Lease Agreement, and any insurance maintained by the Agency shall be in excess and not contributing with the Lessee's, its contractors' or its subcontractors' insurance.

Section 4.5. Advances by Agency. In the event the Lessee fails to make any payment or perform or observe any obligation required of it under the IDA Lease Agreement with respect to any of the Agency's Reserved Rights under Sections 4.3, 4.4, 4.6, 6.3, 6.7(b)(2), 7.6 or 9.13 hereof, the Agency, after first notifying the Lessee of any such failure on its part, may (but shall not be obligated to), and without waiver of any of the rights of the Agency under the IDA Lease Agreement, make such payment or otherwise cure any failure by the Lessee to perform and observe its other obligations hereunder with respect to any of such Agency's Reserved Rights. All amounts so advanced therefor by the Agency shall become an additional obligation of the Lessee to the Agency; and upon demand for such amounts by the Agency, the Lessee shall pay the same together with interest thereon at the rate of the Trustee's "prime rate" plus one per cent (1%) per annum from the date advanced. Any remedy herein vested in the Agency for the collection of the rental payments or other amounts due hereunder shall also be available to the Agency for the collection of all such amounts so advanced.

Section 4.6. Compliance with Law. The Lessee agrees that it will, throughout the term of the IDA Lease Agreement and at its sole cost and expense and subject to the provisions of the following paragraph, promptly observe and comply or cause to be observed and complied in all material respects all Federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Lessee, any occupant, user or operator of the Facility or any portion thereof (including without limitation those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) (the "Legal Requirements"). The Lessee shall not occupy, use or operate the Facility or allow the Facility or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or that may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto. The Lessee shall indemnify and hold harmless the Indemnified Parties (as defined in Section 6.2 hereof) from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement or (b) imposed upon the Lessee or any of the Indemnified Parties by any Legal Requirement; in case any action or proceeding is brought against any of the Indemnified Parties in respect to any Legal Requirement, the Lessee shall upon notice from any of the Indemnified Parties defend such action or proceeding.

The Lessee may contest in good faith the validity, existence or applicability of any of the foregoing if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of any lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement, the interest of the Trustee under the Indenture, the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the Company Sublease and as evidenced by a certificate of an Authorized Representative of the Lessee, shall not result in the Facility or any material part thereof or interest therein being in any material risk of being sold, forfeited or lost, and shall not materially adversely affect the Lessee's ability to pay and perform its obligations hereunder or under any other Security Document, and (ii) such contest shall not result in the Agency, the Leasehold Mortgagee or the Trustee being in any danger of any criminal liability for failure to comply therewith.

ARTICLE V

Damage, Destruction and Condemnation

Section 5.1. Damage, Destruction and Condemnation.

(a) In the event that at any time during the term of the IDA Lease Agreement the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement (to which the Lessee shall consent in writing) between the Agency and those authorized to exercise such right, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a "Loss Event"):

(i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the rent or other amounts payable by the Lessee under the IDA Lease Agreement, and

(iii) the Lessee will promptly give written notice of any material Loss Event to the Agency and the Trustee, generally describing the nature and extent thereof.

(b) Upon the occurrence of a Loss Event, insurance proceeds with respect to the Leased Facilities shall be applied as required under the Basic Lease and the PA Lease or the City-American Lease (if then effective).

(c) Upon the occurrence of a Loss Event, the Lessee shall, at its own cost and expense, promptly and diligently rebuild, replace, repair or restore the Facility in accordance with the PA Lease or the City-American Lease (if then effective), to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent operating efficiency and function (consistent with the Act and not such as to change the nature of the Financed Property so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code), or substitute other property for such purpose, and the Lessee shall not by reason of payment of any such costs be entitled to any reimbursement from the Agency, the Trustee or any Bondholder, nor shall the rent or other amounts payable by the Lessee under the IDA Lease

Agreement be abated, postponed or reduced; provided, however, that the Lessee shall have no obligation to rebuild, replace, repair or restore any property (or to make substitutions for any such property), (i) if and to the extent that the property so damaged, destroyed or condemned shall no longer be necessary for the operation of the Facility, (ii) if the failure of the Lessee to rebuild, replace, repair, restore or substitute such property would not have an adverse effect upon the operation of the Facility or (iii) if the Bonds are to be redeemed under the provisions of the Indenture regarding extraordinary optional redemption by way of the Lessee making an additional rental payment hereunder.

(d) All such rebuilding, replacements, repairs, restorations or substitutions shall:

(i) automatically be deemed a part of the Facility and be made subject to the Basic Lease, the PA Lease, the ATL, the Consent Agreement, the City-American Lease (if then effective), the Leasehold Mortgage (if then effective), the Equipment Security Agreement, the Company Sublease and the IDA Lease Agreement,

(ii) not change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, nor change the nature of the Financed Property so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, and

(iii) be effected in compliance with all applicable Legal Requirements.

(e) If all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Lessee as contemplated hereby, and such taking or condemnation shall not be subject to appeal or further appeal, the Lessee shall exercise its option to terminate the IDA Lease Agreement pursuant to Section 8.4 hereof and cause all Bonds outstanding to be redeemed pursuant to the Indenture, and the Lessee shall pay to the Trustee for deposit ratably in each of the Redemption Accounts of the Bond Fund an amount that, when added to the total amount then in all of the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date) and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents, together with all other amounts due under the Indenture and under the IDA Lease Agreement, and such amount shall be applied, together with such other available moneys in the Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

(f) The Agency and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromising, arbitration or adjustment of any claim or demand on account of any Loss Event, but the settlement, compromising, arbitration or adjustment of any such claim or demand shall be subject to the approval of the Lessee.

(g) The Lessee hereby waives the provisions of Section 227 of the New York Real Property Law or any law of like import now or hereafter in effect.

ARTICLE VI

Particular Covenants

Section 6.1. Dissolution or Merger of Lessee; Restrictions on Lessee. The Lessee covenants and agrees that at all times during the term of the IDA Lease Agreement, it will (i) maintain its corporate existence, (ii) continue to be a corporation subject to service of process in the State and duly qualified to do business as a foreign corporation in the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets, and (iv) not consolidate with or merge into another corporation. The Lessee may, however, without violating the foregoing, consolidate with or merge into another corporation, or sell or otherwise transfer all or substantially all of its property, business or assets to another such corporation (and thereafter liquidate, wind-up or dissolve or not, as the Lessee may elect) if (y) such consolidation, merger, sale or transfer shall not cause the Lessee to be in default under the terms of the PA Lease, the RNDA, the ATL, the Consent Agreement, the Leasehold Mortgage (if then effective), the Equipment Security Agreement, any other Security Document or the City-American Lease (if then effective), and (z) (i) the Lessee is the surviving, resulting or transferee corporation, as the case may be, or (ii) in the event that the Lessee is not the surviving, resulting or transferee corporation, as the case may be, such corporation (A) is not a Prohibited Person, (B) is a solvent corporation subject to service of process in the State and either incorporated in or duly qualified to do business as a foreign corporation in the State, and (C) assumes in writing, by means of an instrument that is delivered to the Agency and the Trustee, all of the obligations of the Lessee contained in the PA Lease, the RNDA, the ATL, the Consent Agreement, the City-American Lease (if then effective) and any leasehold mortgage thereon, the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage (if then effective), the Equipment Security Agreement, and all other Security Documents to which the Lessee shall be a party, and in the Opinion of Counsel, such corporation shall be bound by all of the terms applicable to the Lessee of the IDA Lease Agreement, the PA Lease, the Company Sublease, the ATL, the Consent Agreement, the RNDA, the City-American Lease (if then effective) and any leasehold mortgage thereon, the Leasehold Mortgage (if then effective), the Equipment Security Agreement and all other Security Documents to which the predecessor Lessee shall have been a party and such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents.

Section 6.2. Indemnity. (a) The Lessee shall at all times protect and hold the Agency, the Trustee, the Bond Registrar and the Paying Agents (collectively, the "Indemnified Parties") harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, including reasonable costs, disbursements and expenses (including reasonable legal fees and expenses) and taxes (of any kind and by whomsoever imposed), other than, with respect to the Agency, losses arising from the gross negligence or willful misconduct of the Agency, or, with respect to any other Indemnified Party, losses arising from the negligence or willful misconduct of such other Indemnified Party, arising upon or about the Facility or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Facility and the marketing, issuance, sale and remarketing of the Agency's Bonds for such purpose (including all expenses and liability relating to any Internal Revenue Service audit or inquiry with respect to the Bonds), (ii) the planning, design, acquisition, site preparation,

construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, (iii) any defects (whether latent or patent) in the Facility, (iv) any violation of or failure to comply with or requirement to comply with any Legal Requirement (v) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion of the Facility, or (vi) the PA Lease, the ATL, the RNDA, the City-American Lease, if any, the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Equipment Security Agreement or any other Security Document or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby. Such indemnification set forth above shall be binding upon the Lessee for any and all claims, demands, expenses, liabilities and taxes set forth herein and shall survive the termination of the IDA Lease Agreement. No Indemnified Party shall be liable for any damage or injury to the person or property of the Lessee or its directors, officers, employees, agents or servants or persons under the control or supervision of the Lessee or any other Person who may be about the Facility, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of the Agency or the negligence or willful misconduct of any other Indemnified Party.

(b) The Lessee releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable for and agrees to indemnify and hold each Indemnified Party harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in subdivision (i) through (vi) of Section 6.2(a) hereof or at the direction of the Lessee with respect to any of such matters above referred to. An Indemnified Party shall promptly notify the Lessee in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Lessee pursuant to this Section 6.2; such notice shall be given in sufficient time to allow the Lessee to defend such claim or action. The failure of an Indemnified Party to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Lessee under this Section 6.2, if (i) any officer or management-employee of the Lessee shall have actual knowledge of such claim or action, or (ii) any officer or professional staff of such Indemnified Party who shall have responsibility with respect to the handling of such claim or action shall not have actual knowledge thereof; provided, further, that if any such officer or professional staff referred to in clause (ii) above shall have had actual knowledge thereof in reasonably sufficient time to give notice thereof to the Lessee and shall have failed to do so, and an officer or management-employee of the Lessee referred to in clause (i) above shall not have actual knowledge of such claim or action, such failure will reduce the liability of the Lessee under this Section 6.2 by the amount of actual damages resulting from such failure, but such failure will not otherwise relieve the Lessee from its obligations under this Section 6.2. In the event the Lessee shall have suffered actual damages by reason of a circumstance referred to in the preceding sentence for which the Lessee's liability to an Indemnified Party is not to be reduced, such Indemnified Party shall (at the sole cost and expense of the Lessee) take such action to mitigate damages (including seeking to open any default judgment as might exist) as may be reasonably requested by the Lessee.

(c) In addition to and without limitation of all other representations, warranties and covenants made by the Lessee under the IDA Lease Agreement, the Lessee further represents,

warrants and covenants that the Lessee has not used Hazardous Materials (as defined hereinafter) in acquiring, constructing, renovating, expanding or equipping the Facility in any manner that violates Federal, state or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and other than as disclosed to the Indemnified Parties, the Lessee has no actual knowledge of the presence or use of any Hazardous Materials on the Leased Facilities in a manner that would violate any such laws, ordinances, rules, regulations or policies. The Lessee shall comply with and require compliance by all tenants and subtenants of the Leased Facilities, in the generation, manufacture, refining, transport, treatment, storage, handling, disposal, transfer, production or processing of Hazardous Materials, with all applicable Federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and require that all tenants and subtenants of the Leased Facilities obtain and comply with, any and all approvals, registrations or permits required thereunder. The Lessee shall defend, indemnify, and hold harmless each Indemnified Party from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (w) the presence, disposal, release, or threatened release of any Hazardous Materials with respect to the Leased Facilities that are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (x) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such presence, disposal, release, or threatened release of Hazardous Materials; (y) any lawsuit brought or threatened, settlement reached, or government order relating to such presence, disposal, release, or threatened release of Hazardous Materials, and/or (z) any violation of laws, orders, regulations, requirements or demands of government authorities, which are based upon or in any way related to such presence, disposal, release or threatened release of Hazardous Materials including, without limitation, reasonable attorney and consultant fees and expenses, investigation and laboratory fees, court costs, and litigation expenses. For purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resources Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule, or regulation. The provisions of this paragraph shall be in addition to any and all other obligations and liabilities the Lessee may have to any Indemnified Party at common law, and shall survive the termination of the IDA Lease Agreement.

(d) In the event any claim, action, suit or proceeding shall be brought against an Indemnified Party within the protections provided by the Lessee under this Section 6.2, the Lessee shall, promptly after being so requested by such Indemnified Party, at the sole cost and expense of the Lessee, assume and direct the defense thereof, with counsel reasonably satisfactory to such Indemnified Party (counsel selected by the Lessee's insurance carrier being deemed to be so acceptable), and in such event the Lessee shall not be liable to such Indemnified Party for any legal or other expenses incurred by such Indemnified Party in connection with the defense thereof; provided, however, that unless and until the Lessee assumes the defense of any such action at the request of such Indemnified Party, the Indemnified Party shall have the right to

conduct the defense of such action at the Lessee's expense; and provided, further, that if an Indemnified Party reasonably concludes that there may be defenses available to it or them that are different from or in addition to the defenses available to the Lessee (in which case the Lessee will not have the right to direct the defense of such claim, action, suit or proceeding on behalf of such Indemnified Party), reasonable legal and other expenses incurred by such Indemnified Party will be paid by the Lessee. If the Lessee shall not promptly employ counsel to have charge of the defense of any such claim, action, suit or proceeding, reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Lessee.

(e) The indemnifications and protections set forth in this Section 6.2 shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

(f) Anything to the contrary in the IDA Lease Agreement notwithstanding, the covenants of the Lessee contained in this Section 6.2 shall remain in full force and effect after the termination of the IDA Lease Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions herein specified.

(g) For the purposes of this Section 6.2, the Lessee shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

(h) To effectuate the purposes of this Section 6.2, the Lessee will provide for and insure to the extent available in the general insurance market, in the public liability policies required in Section 4.4 hereof, not only its own liability in respect of the matters therein mentioned but also the liability pursuant to this Section 6.2 (other than under Section 6.2(a)(i) and (ii)).

Section 6.3. Compensation and Expenses of Trustee, Bond Registrar, Paying Agents and Agency. The Lessee shall, to the extent not paid out of the proceeds of the Bonds as financing expenses, pay (i) the fees and expenses including all reasonable counsel fees and expenses of the Trustee as Leasehold Mortgagee under the Leasehold Mortgage, and (ii) the initial and annual fees of the Trustee for the services of the Trustee rendered and its expenses incurred under the Indenture, including reasonable fees and expenses as Bond Registrar and Paying Agent and in connection with preparation of new Bonds upon exchanges or transfers or making any investments in accordance with the Indenture, including reasonable counsel fees and disbursements, all in accordance with such agreements with respect thereto as shall exist between the Lessee and the Trustee. The Lessee shall also pay all fees of the Remarketing Agent and applicable Tender Agent for the Bonds, if any. The Lessee shall further pay the reasonable fees, costs and expenses of the Agency actually paid or incurred, together with any reasonable fees and disbursements incurred by the Agency's Bond Counsel and Agency's General Counsel in performing services for the Agency in connection with the IDA Lease Agreement, any IDA Lease Amendment, the Indenture, the Consent Agreement, any other Security Document or the Facility including fees and expenses of the Agency and the Agency's Bond Counsel relating to any Internal Revenue Service audit or inquiry with respect to the Bonds.

On the date of the sale and delivery by the Agency of the Series 2002 Bonds the Lessee shall pay the Agency a financing fee in the amount of $2,553,000 and the Lessee shall deliver to the Agency on behalf of the State, the State bond fee in the amount of $3,500,000. The Lessee further agrees to pay, as an annual administrative servicing fee to the Agency, the amount of $500 payable on the date of execution hereof and on every anniversary of the date of execution hereof until the termination of the IDA Lease Agreement. Upon the delivery of each Series of Additional Bonds, the Lessee shall pay to the Agency a financing fee in the amount set forth in the Applicable IDA Lease Amendment.

Section 6.4. Retention of Interest in Facility. The Agency shall not sell, assign, encumber (other than pursuant to the Equipment Security Agreement, or the granting clauses of the Indenture), convey or otherwise dispose of its interest in the Facility or any part thereof or interest therein (including its interest in the IDA Lease Agreement, in the rentals payable hereunder and in the Company Sublease) during the term of the IDA Lease Agreement, except as set forth below and in Section 5.1, 7.2, 8.1, 8.2, 8.3 or 8.4 hereof without the prior written consent of the Lessee, the Trustee and the Leasehold Mortgagee and any purported disposition without such consent shall be void.

The Agency and the Trustee, will, however, at the written direction of the Lessee and/or the Port Authority and at the written direction of the Lessee and/or the City during any period, if any, that the City-American Lease shall be in effect, so long as there exists no Event of Default hereunder, grant such rights of way or easements over, across, or under, the Leased Facilities, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of the IDA Lease Agreement and the Company Sublease as shall be necessary or convenient for the operation or use of the Facility (or as shall be desirable for the use of another parcel of property at John F. Kennedy International Airport or for use by the City, the Port Authority or a public utility), provided that such leases, rights-of-way, easements, permits or licenses shall not materially adversely affect the use or operation of the Facility and shall not violate the provisions of the Leasehold Mortgage. The Agency and the Trustee agree, at the sole cost and expense of the Lessee, the Port Authority, or the City, as the case may be, to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of the IDA Lease Agreement.

Notwithstanding any other provision of the IDA Lease Agreement, so long as there exists no Event of Default hereunder, the Lessee and/or the Port Authority may, and the Lessee and/or the City may during any period, if any, that the City-American Lease shall be in effect, from time to time by written direction to the Agency and the Trustee direct the Agency and the Trustee to release and remove from the IDA Lease Agreement and the leasehold estate created hereby any unimproved part of the Leased Facilities (on which none of the improvements, including the buildings, structures, improvements, related facilities, fixtures or other property comprising the Facility are situated; provided, that for purposes of this Section 6.4, the foregoing "improvements" shall not include roadways, runways, parking areas, curbs, gutters, landscaping and utility facilities) on the condition that such release and removal shall only constitute a Minor Release. Upon any such request by the Lessee and/or the Port Authority or the Lessee and/or the City as the case may be, the Agency and the Trustee shall, at the sole cost and expense of the Lessee, the Port Authority or the City as the case may be, execute and deliver any and all

instruments necessary or appropriate to so release and remove such portion of the Leased Facilities; provided, that no such release shall be effected unless there shall be delivered to the Trustee and the Agency a certificate of an Authorized Representative of the Lessee, stating that (i) the proposed Minor Release will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility immediately prior to such release such determination to be based upon a report or appraisal of a nationally recognized airport engineering, traffic or consulting firm selected by the Lessee and acceptable to the Trustee such report or appraisal to be appended to as such certification of the Lessee, (ii) there exists no Event of Default under the Security Documents, and (iii) simultaneously with such release, the part of the Leased Facilities which is the subject of such Minor Release shall be eliminated from the PA Lease or the City-American Lease as the case may be.

Notwithstanding the foregoing, in the event that, pursuant to the PA Lease or the City-American Lease, any portion of the Leased Facilities is released from the PA Lease or the City-American Lease, if any, this IDA Lease Agreement shall be deemed amended to exclude from the premises demised hereunder that portion of the Leased Facilities so released. If such release constitutes a Major Release the Lessee shall pay as additional rent to the Trustee on behalf of the Agency an amount equal to the Release Price and such Release Price shall be applied by the Trustee to the redemption of Bonds in accordance with the Indenture.

No conveyance or release effected under the provisions of this Section 6.4 shall entitle the Lessee to any abatement or diminution of the rents payable under Section 3.4 hereof or the other payments required to be made by the Lessee under the IDA Lease Agreement.

Section 6.5. Lessee's Covenant as to Tax Exemption. (a) To the extent compliance is within the control of the Lessee, the Lessee covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds (other than interest on Bonds accruing while owned by a "Substantial User" or a related person (within the meaning of Section 147 of the Code)) from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the foregoing, the Lessee covenants that it shall not fail to take any action or consent to the failure to take any action which such failure to act or consent would cause the interest on the Tax-Exempt Bonds to be includable in gross income for Federal income tax purposes under Section 103 of the Code. In furtherance of the covenant contained in the preceding sentence, the Lessee agrees to comply with the terms, provisions and conditions in the each of the Applicable Tax Certificates, including without limitation, the making of any payments and filings required thereunder.

(b) The Lessee covenants that it will not take any action or fail to take any action that may be taken by the Lessee with respect to the Tax-Exempt Bonds that would cause such Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

(c) The obligation of the Lessee to make the payments required under the Applicable Tax Certificates shall be absolute and unconditional, and the failure of the Agency, the Trustee or any other Person to execute or deliver or cause to be executed or delivered any documents or

to take any action required under the IDA Lease Agreement or otherwise shall not relieve the Lessee of its obligation under this Section.

(d) Notwithstanding any other provision of the Indenture or the IDA Lease Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with Section 10.01 of the Indenture) and the term of the IDA Lease Agreement.

(e) The Lessee agrees that the covenants, representations, warranties, and statements of expectation contained or incorporated by reference in this Section 6.5 shall be accurate and true and complied with as of the date on which each Series of Tax-Exempt Bonds is issued and at all times thereafter until such Series of Tax-Exempt Bonds are fully discharged and no longer accruing interest. The Lessee further agrees that if such discharge date is earlier than the final stated maturity date of such Series of Tax-Exempt Bonds, the Lessee must continue to comply with the representations, certifications and covenants contained in or incorporated by reference in this Section 6.5 until such final maturity date unless the Lessee receives a Favorable Opinion of Bond Counsel.

(f) The Lessee agrees that except to the extent that such use would not adversely affect the exclusion pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds from gross income of the owners thereof, no part of the proceeds of any Tax-Exempt Bonds or any funds held under the Indenture shall at any time be used directly or indirectly for any purpose that would cause any component of the Project to be financed with the proceeds of the Tax-Exempt Bonds (other than components the cost of which was a Nonqualified Cost) to become a facility not within those facilities referred to in Section 142(a)(1) of the Code.

(g) The Lessee agrees and covenants that, no requisition shall be paid from Net Proceeds of the Tax-Exempt Bonds for any cost of the Project which is not a Qualified Cost (other than Costs of Issuance) until the date on which the aggregate Qualified Costs theretofore and thereupon paid equals or exceeds 95% of the total costs of the Project theretofore and thereupon paid from the Net Proceeds of the Tax-Exempt Bonds. After such date, the Lessee, as agent for the Agency, may pay any requisition that, after payment thereof, results in 95% or more of the remaining Net Proceeds of the Tax-Exempt Bonds theretofore and thereupon requisitioned or transferred being used to pay Qualified Costs, unless the Lessee receives an opinion of Bond Counsel to the effect that the Lessee may disregard this covenant without adversely affecting the exclusion from gross income of the interest on the Tax-Exempt Bonds for Federal income tax purposes, in which case the Lessee may pay any such requisition without regard to this covenant.

(h) The representations, warranties, covenants and statements of expectation of the Lessee set forth in each Applicable Tax Certificate are by this reference incorporated in the IDA Lease Agreement as though fully set forth herein.

Section 6.6. Annual Filings; No-Default Certificates. (a) The Lessee agrees to furnish or cause to be furnished to the Agency upon its request within sixty (60) days after the same is

filed with the Securities and Exchange Commission, a copy of the annual Form 10-K of the Lessee filed with the Securities and Exchange Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Lessee's compliance with any of its covenants hereunder.

(b) The Lessee shall deliver to the Agency upon its request and the Trustee with each annual delivery required by Section 6.6 (a) hereof, a certificate of an Authorized Representative of the Lessee as to whether or not, as of the close of such preceding Fiscal Year of the Lessee, and at all times during such Fiscal Year, the Lessee was in compliance with all the provisions that relate to the Lessee in the PA Lease, the RNDA, the ATL, the Guaranty and the City-American Lease (if then effective), and in the IDA Lease Agreement and in any other Security Document to which it shall be a party, and as to whether or not a Determination of Taxability has occurred, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default or Determination of Taxability, he or she shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, or the facts regarding the Determination of Taxability, as applicable, and any action proposed to be taken by the Lessee with respect thereto.

(c) The Lessee shall immediately transmit to each of the Agency, the Trustee, and the Leasehold Mortgagee copies of any termination or default notice it shall receive or deliver under the PA Lease, the RNDA, the ATL or the City-American Lease, if any.

(d) The Lessee shall immediately notify the Agency and the Trustee of the occurrence of any Event of Default. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Lessee and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Lessee shall state this fact on the notice.

Section 6.7. Discharge of Liens. (a) If any lien, encumbrance or charge is filed or asserted, or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "Liens"), whether or not valid, is made against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease, or the interest of the Trustee as Trustee under the Indenture or as Leasehold Mortgagee under the Leasehold Mortgage, other than Liens not yet payable, Permitted Encumbrances, Liens being contested as permitted by Section 6.7(b) hereof, or Liens arising from action taken or failed to be taken by the Agency in matters unrelated to the Facility or in matters related to the Facility but permitted under the Security Documents to be taken or failed to be taken by the Agency, the Lessee forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Agency, the Leasehold Mortgagee and the Trustee and take all action (including the payment of money and/or the securing of a bond) at its own cost and expense as may be

necessary or appropriate to obtain the discharge in full thereof and to remove or nullify the basis therefor. Nothing contained in the IDA Lease Agreement shall be construed as constituting the express or implied consent to or permission of the Agency for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease.

(b) The Lessee may at its sole expense contest (after prior written notice to the Agency, the Leasehold Mortgagee and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if (1) in the Opinion of Counsel, such proceeding shall suspend the execution or enforcement of such Lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease, or the interest of the Trustee as Trustee under the Indenture or the interest of the Trustee as Leasehold Mortgagee under the Leasehold Mortgage, (2) none of the Agency, the Trustee, or the Leasehold Mortgagee would be in any danger of any criminal liability for failure to comply therewith, and (3) the Lessee shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Trustee to protect the security intended to be offered by the Security Documents.

Section 6.8. Agency's Authority; Covenant of Quiet Enjoyment. The Agency covenants and agrees that it has full right and lawful authority to enter into the IDA Lease Agreement for the full term hereof, including the right to grant the options to terminate the IDA Lease Agreement contained in Article VIII hereof.

Section 6.9. No Warranty of Condition or Suitability. THE AGENCY HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, FITNESS, DESIGN, OPERATION OR WORKMANSHIP OF ANY PART OF THE FACILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE MATERIALS IN THE FACILITY, OR THE SUITABILITY OF THE FACILITY FOR THE PURPOSES OR NEEDS OF THE LESSEE OR THE EXTENT TO WHICH PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT TO PAY THE COST OF COMPLETION OF THE PROJECT. THE LESSEE ACKNOWLEDGES THAT THE AGENCY IS NOT THE MANUFACTURER OF THE FACILITY EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE AGENCY SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE LESSEE OR ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY THE PROPERTY OF THE FACILITY OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OF OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED.

Section 6.10. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Rebate Fund, the Bond Fund, the Project Fund or any Bond Purchase Fund upon the expiration or sooner termination of the term of the IDA Lease Agreement as provided in the IDA Lease Agreement, after payment in full of the Bonds (in accordance with Section 10.01 of the Indenture), the fees, charges and expenses of the Trustee, the Bond Registrar, the Paying Agents and the Agency in accordance herewith and with the Indenture and after all rents and all other amounts payable hereunder, shall have been paid in full, and after all amounts required to be rebated to the Federal government pursuant to the Applicable Tax Certificate or the Indenture shall have been so paid, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

Section 6.11. Non-Discrimination, Employment Information, Opportunities and Guidelines.

(a) The Lessee shall, in all solicitations or advertisements for employees at the Facility placed by or on behalf of the Lessee, state that all qualified applicants will be considered for employment without regard to race, color, creed, sexual orientation or national origin, age or sex.

(b) The Lessee shall furnish to the Agency all information reasonably required by the Agency pursuant to this Section and will cooperate with the Agency for the purposes of investigation to ascertain compliance with this Section.

(c) The Agency and the Lessee shall, from time to time, mutually agree upon goals for the employment, training, or employment and training of members of minority groups in connection with performing work with respect to the Facility; provided however, if the Agency and the Lessee are unable to reach such mutual agreement, the Agency and the Lessee shall cooperate to ensure compliance with this Section 6.11.

(d) Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee shall cause new employment opportunities created as a result of the Project to be listed with the New York State Department of Labor, Community Services Division, and with the administrative entity of the service delivery area created by the Federal Job Training Partnership Act (P.L. 97-300) in which the Project is located. Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee covenants and agrees, where practicable, to consider persons eligible to participate in programs under the Federal Job Training Partnership Act (P.L. No. 97-300) who shall be referred to administrative entities or service delivery areas created pursuant to such Federal Job Training Partnership Act or by the Community Services Division of the New York State Department of Labor for such new employment opportunities.

(e) The Lessee hereby authorizes any private or governmental entity, including but not limited to the New York State Department of Labor ("DOL"), to, except if otherwise prohibited by law, release to the Agency and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under its control and pertinent to Lessee and its employees, to the extent related to the Facility and solely to enable the Agency

and or the EDC to comply with its reporting requirements required by Local Law 69 of 1993 and any other laws or regulations to which the Agency or the EDC are subject. In addition, upon the Agency's request and except if otherwise prohibited by law, the Lessee shall provide to the Agency any employment information in the Lessee's possession which is pertinent to the Lessee and its employees, but solely to the extent the information is related to the Facility and solely to enable the Agency and or the EDC to comply with its reporting requirements required by Local Law 69 of 1993 and any other laws or regulations to which the Agency or the EDC are subject. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Lessee itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of the IDA Lease Agreement.

(f) Annually, by August 1 of each year until the termination of the IDA Lease Agreement, the Lessee shall submit to the Agency an employment report relating to the period commencing July 1 of the previous year and ending June 30 of the year of the obligation of the filing of such report, substantially in the form of Appendix C-1 hereto, certified as to accuracy by an officer of the Lessee. In addition, upon termination of the IDA Lease Agreement or redemption of all Outstanding Bonds, the Lessee shall submit to the Agency an employment report, substantially in the form of Appendix C-2 hereto, certified as to accuracy by an officer of the Lessee. Each employment report submitted pursuant hereto shall relate only to employment by the Lessee at the Facility.

Section 6.12. Redemption Under Certain Circumstances; Special Covenants. (a) Upon the determination by resolution of the board members of the Agency that the Lessee is operating all or substantially all of the Facility, or is allowing all or substantially all of the Facility to be operated, other than as a qualified "project" in accordance with the Act (as in effect on the date of original issuance and delivery of the Series 2002A Bonds) and the failure of the Lessee within sixty (60) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of a copy of said resolution together with written notice of such noncompliance from the Agency to cure such noncompliance (a copy of which notice shall be sent to the Trustee), the Lessee covenants and agrees that it shall, on the immediately succeeding Interest Payment Date for each Series of Bonds following the termination of such sixty (60) day (or longer) period for which sufficient notice of redemption can be given in accordance with the requirements of the Indenture, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem all Outstanding Bonds of such Series in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds of such Series (without premium) together with interest accrued thereon to such Interest Payment Date, provided, however, that if such noncompliance cannot be cured within such period of sixty (60) days with diligence (and is capable of being cured) and the Lessee promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency's reasonable satisfaction, such period of time

within which the Lessee may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee and the Bondholders of any such extension. The Agency shall give to the Lessee and the Trustee prior written notice of the meeting at which the members of the Agency are to consider such resolution, which notice shall be no less than sixty (60) days prior to such meeting.

For purposes of this Section 6.12(a), the Lessee shall be conclusively deemed to be operating all or substantially all of the Facility (or causing all or substantially all of the Facility to be operated) as a qualified "project" in accordance with the Act, if all or substantially all of the Facility shall be operated for general airport purposes substantially similar in nature to that conducted by the Lessee or other air carriers at the City's airports and other equivalent airports.

(b) Upon the occurrence of the circumstances requiring a mandatory redemption of any Series of Bonds pursuant to the Applicable Series Supplemental Indenture, the Lessee shall pay or cause the prepayment of its lease rental obligation upon the circumstances and in the manner set forth in the Indenture or any such Series Supplemental Indenture.

Section 6.13. Further Assurances. Upon the reasonable request of the Agency, the Leasehold Mortgagee, or the Trustee, the Lessee will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Lessee, as is reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of the IDA Lease Agreement and any rights of the Agency or the Trustee hereunder, under the Indenture and under the Leasehold Mortgage; provided, however, that no such action requested of the Lessee will cause the Lessee to breach the terms and conditions of the PA Lease or the Consent Agreement, the City-American Lease (if then effective), or the ATL.

Section 6.14. Current Facility Description. The Lessee covenants and agrees that throughout the term of the IDA Lease Agreement, including upon the completion of the Project (or the placement into service of any separate component of the Project) or of any replacement, repair, restoration, reconstruction or substitution of the Facility Equipment constituting Financed Property pursuant to Section 5.1 or Section 8.1 hereof, it will cause to be attached to the IDA Lease Agreement in the form of Schedule I to the IDA Lease Agreement, an accurate and complete description of the improvements to the Leased Facilities and each item of Facility Equipment constituting Financed Property, including such information as shall be provided for under the IDA Lease Agreement. Schedule I shall be in the form attached hereto as Exhibit A. To this end, the Lessee covenants and agrees that it will on an ongoing basis, diligently and promptly reflect the acquisition of each improvement to the Leased Facilities and the acquisition and substitution of each item of Facility Equipment constituting Financed Property in an accurate and sufficient manner to identify the same, on Schedule I hereto, and the Lessee shall from time to time prepare supplements to Schedule I in compliance with the foregoing.

Section 6.15. Filing. The security interest of the Trustee created under the Granting Clauses of the Indenture and the Equipment Security Agreement shall be perfected by the filing of financing statements by the Trustee that fully comply with the New York State Uniform Commercial Code - Secured Transactions in the office of the Secretary of State of the State, in

the City of Albany, New York and in the appropriate office of the Register of the City of New York. The Trustee shall file or cause to be filed all necessary continuation statements (and additional financing statements) within the time prescribed by the New York State Uniform Commercial Code - Secured Transactions in order to continue (or attach and perfect) the security interest granted under the Granting Clauses of the Indenture and the Equipment Security Agreement, to the end that the rights of the Agency, the Holders of the Bonds and the Trustee in the IDA Lease Agreement shall be fully preserved as against creditors or purchasers for value from the Agency or the Lessee. At the expiration or earlier termination (other than pursuant to Section 7.2 hereof) of the IDA Lease Agreement and the satisfaction of all obligations owing by the Lessee to the Trustee under this and all other Security Documents, the Agency and the Trustee shall deliver, at the direction and sole cost of the Lessee, UCC-3 Termination Statements and such other instruments reasonably requested by the Lessee necessary to terminate such security interest.

Section 6.16. Right to Cure Agency Defaults. The Agency hereby grants the Lessee full authority (with no obligation of the Lessee to do so) for account of the Agency to perform any covenant or obligation of the Agency contained in the Indenture, or the IDA Lease Agreement, the non-performance of which by the Agency would otherwise constitute a default, in the name and stead of the Agency, with full power of substitution.

Section 6.17. Certain Covenants with Respect to the PA Lease, the Leasehold Mortgage, the RNDA, the City-American Lease and the ATL. (a) At least five (5) Business Days prior to the execution of any material amendment, supplement or modification to the City-American Lease, if any, the RNDA or the ATL, the Lessee shall deliver a copy of same in substantially final form to each of the Agency and the Trustee. The Lessee further covenants that it shall not (i) terminate, (ii) surrender, or (iii) materially amend the RNDA, or the ATL without the Trustee's prior written consent.

(b) The Lessee shall not modify, amend, supplement or extend Section 92 of the PA Lease or any analogous provision of the City-American Lease, nor shall the Lessee enter into any amendment of the PA Lease or the City-American Lease which shall only affect an Approved Successor Lessee under the PA Lease or successor lessee under the City-American Lease and shall not affect the originally named Lessee, without the prior consent of the Trustee in each case.

(c) The Lessee shall not enter into any termination agreement with respect to the PA Lease or the City-American Lease (if then effective), nor surrender or abandon its interest in the Leased Facilities under the PA Lease or the City-American Lease other than as contemplated by Section 5.1 or 8.4 hereof. The foregoing provision shall not in any way limit or modify the Lessee's obligations under the PA Lease.

(d) The Lessee shall use commercially reasonable good faith efforts to obtain the Redevelopment Completion Certificate as soon as possible after the Redevelopment Work has been completed.

(e) Upon the recording of any mortgage of the Lessee's leasehold interest in the City-American Lease, the Lessee shall pay any Mortgage Recording Tax due with respect to the recording thereof.

(f) The Lessee covenants that (i) on or before the date it delivers to the Trustee the executed Leasehold Mortgage in accordance with Section 6.17(i) hereof, it shall pay to the Trustee for deposit in to the Foreclosure Payment Account of the Mortgage Reserve Fund an amount equal to the Foreclosure Payment Account Requirement and (ii) it will replenish any deficiencies in the Foreclosure Payment Account based upon the valuation of the assets thereof in accordance with Section 5.13(g) of the Indenture.

(g) In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Lessee shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to obtain and execute, not later than 30 days prior to the expiration date of the Basic Lease, the City-American Lease. Simultaneously with the execution of the City-American Lease, the Lessee and the Agency shall, to the extent necessary to preserve the Agency's leasehold interest in the Leased Facilities, execute and deliver an amended and restated Company Sublease to provide for the sublease of the Leased Facilities under the City-American Lease from the Lessee to the Agency and, if necessary, an amended and restated IDA Lease Agreement to provide for the sublease of the Leased Facilities from the Agency to the Lessee.

(h) The Lessee and the Agency each hereby covenants and agrees that it shall comply with the provisions of Section d(2) of Section 92 in connection with the recordation of the Leasehold Mortgage. In the event that any recordation of the Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage as defined in such Section, the Lessee hereby expressly covenants, represents and agrees that the Lessee shall cooperate with the Port Authority and the Trustee, and shall promptly take or cause to be taken any and all actions requested by the Port Authority or the Trustee or required under applicable law, to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Lessee to comply with Section d(2) of Section 92 or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of this Section 6.17(h) in the event such failure or Wrongful Recording of the Leasehold Mortgage is cured as provided in this paragraph or, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived in writing by the Port Authority. After the Redevelopment Work has been completed, the Lessee shall take such actions as are necessary to satisfy the conditions set forth in Subsections (i) and (v) of Section (d) (1) of Section 92, and Lessee shall take the action contemplated to be taken by it under Subsections (i), (ii) and (v) of Section (d)(3) of Section 92.

(i) The Lessee hereby covenants and agrees that it shall, in accordance with Section d(2) of Section 92, execute the Mortgage and deliver two execution copies of the same to the Trustee no later than twenty-one (21) Business Days after the Reletting Rights Effective Date. Simultaneously with such delivery, the Lessee shall deliver to the Trustee an Opinion of Counsel reasonably satisfactory to the Trustee and the Agency as to the validity and enforceability of the Leasehold Mortgage and the Lessee shall direct the Trustee to record the Leasehold Mortgage in

the appropriate recording office of the City. Prior to the delivery of the Leasehold Mortgage to the Trustee for recording, the Lessee shall present the Leasehold Mortgage to the Agency for execution by the Agency and upon the request of the Lessee, the Agency shall execute the same. Simultaneously with such execution, the Agency shall deliver an opinion of the Vice President for Legal Affairs of the Agency in form reasonably satisfactory to the Trustee and the Lessee as to the validity and enforceability of the obligations of the Agency under the Leasehold Mortgage.

(j) (i) In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Lessee shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee as Leasehold Mortgagee, not later than the 30 days prior to the expiration date of the Basic Lease, a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease having substantially similar terms and provisions as the Leasehold Mortgage; provided, however, that if the Lessee, using such efforts, can obtain from the City only the right to grant a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Lessee shall be deemed to have satisfied such obligation if it shall execute and deliver such a leasehold mortgage to the Leasehold Mortgagee.

(ii) In the event that subsequent to the commencement of the City-American Lease, the City and the Port Authority direct the Lessee pursuant to Section 94 of the PA Lease to lease the Facility from the Port Authority pursuant to a lease with the Port Authority (the "New PA Lease"), the Lessee shall use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee as Leasehold Mortgagee, a leasehold mortgage of the Lessee's leasehold interest under the New PA Lease having substantially similar terms and provisions as the Leasehold Mortgage; provided, however, that if the Lessee, using such efforts, can obtain from the Port Authority only the right to grant a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the Port Authority to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Lessee shall be deemed to have satisfied such obligation if it shall execute and deliver such a leasehold mortgage to the Leasehold Mortgagee.

(k) The Lessee covenants that it will construct at the Premises not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of gate positions as shall satisfy the requirement of item (iii) in the definition of "Required Conditions" contained in the PA Lease.

Section 6.18. Certain Acknowledgments. The Agency and the Lessee hereby acknowledge and agree that the leasehold estates of the IDA Lease Agreement and the Company Sublease in the Leased Facilities are subject in all respects to the terms of the Basic Lease, the Consent Agreement, the PA Lease, the ATL and the RNDA.

ARTICLE VII

Events of Default; Remedies

Section 7.1. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) Failure of the Lessee to pay any rental that has become due and payable by the terms of the IDA Lease Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Lessee to observe and perform any covenant, condition or agreement on its part to be performed (except as set forth in Section 7.1(a) hereof) under Sections 3.2 (the last sentence of the first paragraph thereof), 3.4(j), 4.1(d), 4.3, 4.6, 5.1(e), 6.1, 6.7, 6.17 (except clause (i) of Section 6.17(f)) or 9.3 (with respect to an assignment or transfer of the IDA Lease Agreement) hereof and (1) continuance of such failure for a period of sixty (60) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said sixty (60) days, the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(c) Any representation or warranty made by the Lessee in Sections 1.5(a) , (b) (i) , (e) , (f), (k), (o) or (q) of the IDA Lease Agreement shall prove to be false, misleading or incorrect in any material respect as of the date made, and, if the damage caused by such false, misleading or incorrect representation or warranty is capable of being remedied, the failure of the Lessee for a period of three hundred sixty (360) days after receipt by the Lessee of written notice specifying such false, misleading or incorrect representation or warranty from the Agency, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, to remedy such damage;

(d) An "Event of Default" under the Indenture shall occur and be continuing that shall result in the acceleration of the principal of any Outstanding Bonds; or

(e) Failure of the Lessee to fully fund the Foreclosure Payment Account in an amount equal to the Foreclosure Payment Account Requirement as required in clause (i) of Section 6.17(f).

Section 7.2. Remedies on Default. Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Agency, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon to the date of such acceleration, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under Section 8.01(a)(vi) of the Indenture, all principal installments of rent

payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement, together with the accrued interest thereon to the date of such acceleration, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) Solely in conjunction with the exercise by the Trustee as mortgagee of its rights and remedies under the Leasehold Mortgage, the Trustee, or the Agency, with the prior written consent of the Trustee, may, subject to compliance with Section 9.3 hereof and without terminating the IDA Lease Agreement, re-let or sublease the Facility to an Approved Successor Lessee for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Lessee hereunder;

(c) The Agency, with the prior written consent of the Trustee, or the Trustee, may terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein and herein granted or vested in the Lessee shall cease and terminate. No such termination of the IDA Lease Agreement shall relieve the Lessee of its liability and obligations hereunder and such liability and obligations shall survive any such termination;

(d) The Trustee may take whatever action at law or in equity (subject to the limitations set forth in Section 8.12 of the Indenture) as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Lessee under the IDA Lease Agreement the enforcement of which shall not have been expressly reserved only to the Agency; and

The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by an action for damages, injunction or specific performance, by requiring the surrender by the Lessee to the Agency of the Sales Tax Letter for suspension or cancellation and/or termination.

In the event that the Lessee fails to make any rental payment required by the IDA Lease Agreement, the installment so in default shall continue as an obligation of the Lessee with interest thereon at the rate or rates borne by the Bonds until the amount in default shall have been fully paid.

No action taken pursuant to this Section 7.2 shall, except as expressly provided herein, relieve the Lessee from the Lessee's obligations hereunder, all of which shall survive any such action.

Section 7.3. [Reserved].

Section 7.4. Remedies Cumulative. The rights and remedies of the Agency or the Trustee under the IDA Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the IDA Lease Agreement. Failure by the Agency or the Trustee to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Lessee hereunder shall not be considered or taken as a waiver or

relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Lessee with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies.

Section 7.5. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in the IDA Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Agency and/or the Trustee and the Lessee or any delay or omission on the part of the Agency and/or the Trustee in exercising any rights hereunder or under the Indenture or under any other Security Document shall operate as a waiver.

Section 7.6. Effect on Discontinuance of Proceedings. In case any proceeding taken by the Trustee under the Indenture, the Guaranty, the Equipment Security Agreement, the IDA Lease Agreement or under any other Security Document on account of any Event of Default hereunder or under the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then, and in every such case, the Agency, the Lessee, the Guarantor, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights hereunder and thereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Section 7.7. Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of the IDA Lease Agreement and the Agency or the Trustee should employ attorneys or incur other expenses for the collection of rentals or other amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the Agency or the Trustee the reasonable fees and disbursements of such attorneys and such other expenses so incurred.

Section 7.8. Limitation on Remedies Upon an Event of Default. The exercise of remedies under the IDA Lease Agreement by the Agency, the Trustee or the Holders of Bonds with respect to an Event of Default hereunder shall be subject to the provisions of Section 8.12 of the Indenture.

Section 7.9. Non-Default Remedies. Notwithstanding any provision of the IDA Lease Agreement to the contrary, the Agency, or the Trustee on behalf of the Agency, shall have the right to enforce any covenant or obligation of the IDA Lease Agreement the breach of which would not constitute an Event of Default under Section 7.1 hereof by any action for damages, injunction or specific performance and any such action shall be limited by and subject to Section 8.12 of the Indenture.

ARTICLE VIII

Options

Section 8.1. Options.

(a) Substitution of Facility Equipment Constituting Financed Property. The Lessee may, provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, remove any unit of Facility Equipment constituting Financed Property, not subject to the PA Lease, the Basic Lease or the City-American Lease, as the case may be, whether obsolete or not; provided, however, that the Lessee shall promptly replace any such Facility Equipment so removed with equipment of the same or a different kind but that is of at least equal value and capable of performing the same function as efficiently as the Facility Equipment so removed, provided further that such replacement equipment is free of all mortgages, liens, charges, encumbrances, claims and security interest other than Permitted Encumbrances and the replacement equipment shall be deemed Facility Equipment covered by the IDA Lease Agreement and the Equipment Security Agreement. Prior to any such replacement by the Lessee (i) the Lessee shall deliver to the Agency a certificate by an authorized representative of the Lessee setting forth a complete description, including make, model and serial numbers, if any, of such Facility Equipment to be replaced and such Facility Equipment to be substituted, and the cost of each; (ii) the Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any such replacement equipment and subjecting such replacement equipment to the IDA Lease Agreement; and (iii) the Lessee and the Agency shall deliver or cause to be delivered to the Trustee appropriate documents subjecting such replacement equipment to the lien and security interest of the Equipment Security Agreement. Any Facility Equipment constituting Financed Property removed by Lessee pursuant to this paragraph shall become the absolute property of the Lessee and may be sold or otherwise disposed of by the Lessee without accounting to the Agency with respect thereto. The Lessee agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the IDA Lease Agreement and the lien and security interest of the Leasehold Mortgage or Equipment Security Agreement of any property installed or placed on the Project Premises as part of the Facility pursuant to this Section 8.1(a).

(b) Sale of Facility Equipment Constituting Financed Property. The Lessee shall have the right, (i) provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, and (ii) provided that the foregoing sale shall not adversely affect operations of the Leased Facility, to compel the sale of any unit of Facility Equipment constituting Financed Property for any reason (whether during the term of the IDA Lease Agreement or at the expiration thereof). The Lessee shall give notice of its election to have such Facility Equipment sold by delivering to the Agency a certificate signed by a representative of the Lessee (i) stating the Lessee's desire to have such Facility Equipment sold and that removal of such Facility Equipment will not adversely affect operations of the Leased Facility, (ii) containing a complete description, including the make, model and serial number, if any, of any such Facility Equipment to be sold and (iii) setting forth the original cost of such unit of Facility Equipment.

(c) Lessee's Right of First Refusal. Provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, the Lessee shall have the right (the "Right of First Refusal") to purchase any unit of Facility Equipment constituting Financed Property to be sold, subject to the procedures set forth below. The Right of First Refusal must be exercised by written notice to the Agency. If the Right of First Refusal is exercised, then, subject to the provisions set forth in this Article VIII, the Agency shall convey to the Lessee, and the Lessee shall purchase from the Agency, the Agency's interest in the unit of Facility Equipment.

(d) Sale Procedure and Proceeds. Upon sale of any unit of Facility Equipment constituting Financed Property pursuant to this Section 8.1: (i) the Agency shall convey such unit of Facility Equipment without representation or warranty, other than that such unit of Facility Equipment is free and clear of all liens created solely by the Agency, by a duly executed and acknowledged bill of sale of such Facility Equipment, (ii) upon the date fixed for any purchase of the Agency's interest in such unit of Facility Equipment, the purchaser shall pay to the Trustee the fair market value of such equipment as determined by the Lessee pursuant to a certificate of the Lessee, by wire transfer of immediately available funds, (iii) in the event any such purchase occurs within three (3) years of the acquisition of such Facility Equipment by the Agency and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Lessee shall pay to the Agency an amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment, (iv) the Agency shall execute and deliver to the purchaser, at the purchaser's expense, such other documents as the purchaser may request in order to effect such conveyances as are customary in similar transfers, and (v) the Trustee shall deposit the proceeds of the sale in any Redemption Account(s) of the Bond Fund (as specified by the Lessee) to be applied to the prepayment of Bonds then Outstanding. In the event that the application of such proceeds of the sale to the payment of the Bonds as set forth in clause (v) above would adversely affect the exclusion pursuant to section 103 of the Code of interest on any Tax-Exempt Bonds from the gross income of the owners thereof for Federal income tax purposes, the Lessee shall have the option to cause the sale of the unit of such Facility Equipment (regardless of its exercise of the Right of First Refusal) and to exercise its Right of First Refusal without having the proceeds of the sale applied to the payment of the Tax-Exempt Bonds. Upon the sale of such Facility Equipment, the Lessee shall no longer have any obligation to the Agency with regard to such Facility Equipment under the IDA Lease Agreement.

(e) No such removal or replacement as described in this Section 8.1 shall be effected if (w) such removal or replacement would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, or change the nature of the Financed Property so that it would cease to be an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, (x) such removal or replacement would cause the Lessee to be in breach or default of the PA Lease, the ATL or the City-American Lease (if then effective), (y) such removal or replacement would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

(f) The Lessee shall not, without the prior written consent of the Agency, and except as permitted above, remove any Financed Property from the Facility.

(g) The removal from the Facility of any Facility Equipment pursuant to the provisions of this Section 8.01 shall not entitle the Lessee to any abatement or reduction in the rentals or other amounts payable by the Lessee under the IDA Lease Agreement.

8.1A Options Facility Equipment Not Constituting Financed Property. (a) The Lessee shall upon payment to the Agency of $1 consideration, have the privilege from time to time of removing from the Project Premises any item of the Facility Equipment not constituting Financed Property and thereby acquiring such Facility Equipment, provided that:

(i) In the event such Facility Equipment is necessary for the continued operation of the Facility, such Facility Equipment is substituted or replaced by property (A) having equal or greater, operating efficiency and utility and (B) being free of all mortgages, liens, charges, encumbrances, claims and security interests other than Permitted Encumbrances; and

(ii) in the event any such removal occurs within the three (3) years of the acquisition of such Facility Equipment being so removed or replaced and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Lessee shall pay to the Agency an amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment by the Agency;

provided further, however, no such removal as set forth above shall be effected if (w) such removal would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, (x) such removal would cause the Lessee to be in breach or default of the PA Lease, (y) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

(b) The Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any property installed or placed upon the Project Premises pursuant to Section 8.1A(a) and subjecting such substitute or replacement property to the IDA Lease Agreement and upon written request of the Lessee, the Agency shall deliver to the Lessee appropriate documents conveying to the Lessee title to any property removed from the Project Premises pursuant to Section 8.1A(a).

(c) The removal from the Project Premises of any such Facility Equipment pursuant to the provisions of this Section 8.1A shall not entitle the Lessee to any abatement or reduction in the rentals and other amounts payable by the Lessee under the IDA Lease Agreement.

Section 8.2. Lessee's Right to Prepay Rentals. With respect to each Series of Bonds, the Lessee shall have the option to make prepayments of rent under the IDA Lease Agreement. Any such prepayment shall be deposited in the Applicable Redemption Account of the Bond Fund (as specified by the Lessee) to effect the defeasance of the lien of the Indenture with respect to such Series in whole or the redemption in whole or in part of such Series of Bonds, all in accordance with the terms of the Indenture; provided, however, that no optional partial redemption of Bonds may be effected through advance rental payments hereunder if there shall exist and be continuing an Event of Default with respect to the Bonds. The Lessee shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized

Representative of the Lessee to the Trustee in accordance with the Indenture, with a copy to the Agency, setting forth (i) the amount of the advance rental payment, (ii) the principal amount and Series of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), (iii) in the case of any partial redemption, the maturities of principal amounts of Bonds of such Series and maturities to be redeemed, and (iv) the date on which such principal amount of Bonds are to be redeemed, which date shall not be sooner than forty (40) days from the date of such Lessee notice. Such advance rental payment shall be paid to the Trustee in immediately available funds on or before the redemption date and shall be in an amount that, when added to the amount on deposit in the Bond Fund and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency (in the event of a redemption in whole or defeasance of the lien of the Indenture), the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event all the Bonds are to be redeemed in whole or otherwise retired, the Lessee shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar and the Paying Agents, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the IDA Lease Agreement or the Indenture together with all other amounts due and payable under the IDA Lease Agreement and the other Security Documents.

Section 8.3. Prepayment by Port Authority. The Port Authority shall have the right in accordance with the Consent Agreement and Section 92(v) of the PA Lease, to purchase the Facility.

Section 8.4. Conveyance on Exercise of Option to Purchase. Upon prepayment of all Outstanding Bonds pursuant to Section 8.2 hereof and upon payment of the fees and expenses of the Agency, the Trustee, the Bond Registrar, the Paying Agent and all other amounts due and payable under the IDA Lease Agreement and any amounts due to be rebated to the Federal Government pursuant to all of the Applicable Tax Certificates together with any amounts due and owing to any Credit Facility Provider, the Agency will (a) remove or cause to be removed any liens on its interest in the Facility, if any, created by the affirmative action of the Agency (and not taken at the direction of the Lessee, the Port Authority, the City or the Trustee nor suffered to be created by the Agency) and (b) request the Trustee to deliver to the Lessee a release, satisfaction or termination of the Leasehold Mortgage and the Equipment Security Agreement. Concurrently with the delivery of such documents, there shall be delivered by the Agency to the Trustee any instructions or other instruments required by Section 10.01 of the Indenture to defease and pay the Bonds.

Upon conveyance of the Agency's interest in the Facility pursuant to this Section 8.4, the IDA Lease Agreement and all obligations of the Lessee hereunder shall be terminated except the obligations of the Lessee under Sections 6.2, 6.3, 8.7 and 9.17 shall survive such termination.

Section 8.5. Option to Purchase or Invite Tenders of Bonds. The Lessee shall have the option, at any time during the term of the IDA Lease Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. In the event the Lessee or any Affiliate shall hold a majority in aggregate principal amount of the Bonds Outstanding for a period in excess of one hundred eighty (180)

days and the Lessee shall have not delivered to the Agency and the Trustee either (i) a certificate of an Authorized Representative of the Lessee that the reason for such holding is an inability to effect the remarketing of such Bonds at a reasonable price and that upon a return of favorable market conditions the Lessee intends to remarket such Bonds, or (ii) an opinion of Bond Counsel to the effect that such holding of Bonds by the Lessee (y) will not permanently cause the interest on the Bonds to become includable in gross income for Federal income tax purposes, nor (z) adversely affect the validity of the Bonds, then the Lessee shall cause all such Bonds so held to be delivered to the Trustee for cancellation. The Agency shall at all times make available or cause to be made available to the Lessee its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Section 8.6. Termination of Agreement. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with Section 10.01 of the Master Indenture, the Lessee shall terminate the IDA Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under the IDA Lease Agreement and the other Security Documents, together with any amounts required to be rebated to the Federal government pursuant to the Indenture or each of the Applicable Tax Certificates, and any amounts due and owing to any Credit Facility Provider and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of the obligations of the Lessee under Sections 6.2, 6.3, 8.7 and 9.17 hereof.

Section 8.7. Recapture of Agency Benefits. It is understood and agreed by the parties to the IDA Lease Agreement that the Agency is issuing the Bonds to finance a portion of the Project Costs and is entering into the IDA Lease Agreement in order to accomplish the public purposes of the Act. In consideration therefor, subject to the last two sentences of Section 2.5(c), the Lessee hereby agrees as follows:

(a) If there shall occur a Recapture Event (as defined below) prior to the completion of the Project and occupancy of the Facility for its intended purposes by the Lessee, the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, all Benefits (as defined below).

(b) If there shall occur a Recapture Event after the Substantial Completion Date (as defined below), the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, the following amounts:

(i) one hundred per cent (100%) of the Benefits, if the Recapture Event occurs within the first (6) years after the Substantial Completion Date;

(ii) eighty per cent (80%) of the Benefits, if the Recapture Event occurs during the seventh (7th) year after the Substantial Completion Date;

(iii) sixty per cent (60%) of the Benefits, if the Recapture Event occurs during the eighth (8th) year after the Substantial Completion Date;

(iv) forty per cent (40%) of the Benefits, if the Recapture Event occurs during the ninth (9th) year after the Substantial Completion Date; or

(v) twenty per cent (20%) of the Benefits, if the Recapture Event occurs during the tenth (10th) year after the Substantial Completion Date.

The term "Benefits" shall mean, collectively, any Sales Tax Savings and any savings resulting from any exemption from filing and recording fees relating to the filing and or recording of Security Documents or any Financing Statements related thereto.

The term "Recapture Event" shall mean any of the following events:

1. The Lessee shall have liquidated its operations and/or assets or shall have ceased all or substantially all of its operations at the Facility (whether by relocation to another facility or otherwise, or whether to another facility either within or outside of the City) if within the City, without prior written consent of the Agency;

2. The Lessee shall have leased all or any portion of the Facility in violation of the limitations imposed by Section 9.3 hereof, without the prior written consent of the Agency;

3. The Lessee shall have effected substantial changes in the scope and nature of the Lessee's operations at the Facility such that the Facility or any portion thereof is not being operated as a qualified "project" under the Act;

4. The Lessee shall have transferred all or substantially all of its employees located at the Facility to a location outside of the City; or

5. The Lessee shall have sold, leased, transferred or otherwise disposed of all or substantially all of its interest in the Facility except as provided in Section 6.1 or Section 9.3.

The term "Substantial Completion Date" shall mean the date stated in a certificate of an Authorized Representative of the Lessee delivered pursuant to Section 2.2 hereof, after the Project has been substantially completed in accordance with such Section, and upon which date the Facility shall have commenced operations at substantially the level intended; provided, however, that the "Substantial Completion Date", as defined herein, shall be in any event deemed to occur no later than August 31, 2010 regardless of whether or not the Authorized Representative of the Lessee has delivered such certificate to the Agency.

Notwithstanding the foregoing, a Recapture Event shall not be deemed to have occurred if the Recapture Event shall have arisen as a direct, immediate result of (i) a taking or condemnation by governmental authority of all or substantially all of the Facility, or (ii) the inability at law of the Lessee to rebuild, repair, restore or replace the Facility after the occurrence of a Loss Event to substantially its condition prior to such

Loss Event, which inability shall have risen in good faith through no fault on the part of the Lessee.

(c) The Lessee covenants and agrees to furnish the Agency with written notification upon any Recapture Event occurring within ten (10) years of the Substantial Completion Date, which notification shall set forth the terms thereof.

(d) The provisions of this Section 8.7 shall survive the termination of the IDA Lease Agreement for any reason whatsoever, notwithstanding any provision of the IDA Lease Agreement to the contrary.

ARTICLE IX

Miscellaneous

Section 9.1. Indenture; Amendment. The Lessee shall have and may exercise all the rights, powers and authority stated to be in the Lessee in the Indenture and in the Bonds, and the Indenture and the Bonds shall not be modified, altered or amended in any manner without the written consent of the Lessee.

Section 9.2. Force Majeure. In case by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under the IDA Lease Agreement, then except as otherwise expressly provided in the IDA Lease Agreement, if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Lessee to make the rental payments or other payments required under the terms hereof, or to comply with Sections 4.4, 6.2, 6.3, 6.5, 6.6, 6.7, 6.17 or 9.18 hereof), so far as they are affected by such force majeure, shall be suspended during the continuance of the inability then claimed which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, terrorism, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

Section 9.3. Assignment or Sublease.

(a) The Lessee shall not sublet nor permit to be sublet all or substantially all of the Facility, without the prior written consent of the Agency (which consent shall not be unreasonably withheld or delayed). No consent of the Agency shall be required for any subletting by the Lessee of less than all or substantially all of the Facility.

(b) No consent of the Agency shall be required for any assignment or transfer of the IDA Lease Agreement by operation of, and effected in accordance with the requirements of, Section 6.1 hereof.

(c) Any assignment or transfer of the IDA Lease Agreement (other than as referred to in clause (b) above) shall require the prior written consent of the Agency which consent shall not be unreasonably withheld or delayed.

(d) With respect to any subletting in whole or in part of the Facility, the Lessee shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the IDA Lease Agreement and of the Leasehold Mortgage or any other Security Document to which it shall be a party.

(e) With respect to any assignment or transfer of the IDA Lease Agreement for which no consent of the Agency shall be required as above provided, or for which consent of the Agency shall be both required and have been given, such assignee or transferee of the Lessee shall assume in writing and agree to keep and perform all of the terms of the IDA Lease Agreement on the part of the Lessee to be kept and performed from the date of original execution and delivery of the IDA Lease Agreement.

(f) In addition to the conditions set forth above for any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement referred to in clause (b) above), or any subletting in whole or in part of the Facility, the following conditions, as applicable, shall also apply:

(i) any sublessee and any assignee or transferee of the IDA Lease Agreement shall in each case be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State,

(ii) in the case of any assignment or transfer, there shall be delivered to the Agency and the Trustee (y) a Favorable Opinion of Bond Counsel and (z) an Opinion of Counsel to the assignee or transferee of the IDA Lease Agreement to the effect that such Person has duly and validly assumed all obligations of the Lessee under the IDA Lease Agreement and that such assumption constitutes the valid and binding obligation of such Person enforceable against such Person in accordance with its terms,

(iii) in the case of any sublease in whole of the Facility, there shall be delivered to the Agency and the Trustee (y) an Opinion of Counsel to American Airlines, Inc. to the effect that the IDA Lease Agreement continues in full force and effect as the legal, valid and binding obligation of American Airlines, Inc. enforceable against

American Airlines, Inc. in accordance with its terms, and (z) a Favorable Opinion of Bond Counsel,

(iv) any assignee, transferee or sublessee shall agree to use the Facility as a qualified "project" within the meaning of the Act,

(v) any assignment, transfer or sublease shall not violate any provision of the Basic Lease, the PA Lease, the Company Sublease, the Consent Agreement, the ATL, the RNDA, City-American Lease (if then effective), the IDA Lease Agreement, the Leasehold Mortgage or any other Security Document,

(vi) in the case of any sublease, such sublease shall in no way diminish or impair the Lessee's obligation to carry the insurance required under Section 4.4 of the IDA Lease Agreement,

(vii) in the case of any assignment, transfer or sublease in whole, there shall have been delivered to the Trustee written evidence from each Rating Agency by which the Bonds are then rated to the effect that such action will not result in the reduction or withdrawal of the then applicable rating(s) on the Bonds, and

(viii) at least ten (10) Business Days prior to the execution of any proposed assignment, transfer or sublease, the Lessee shall furnish to the Agency a substantially final draft of same, and, after execution thereof, shall then furnish a copy of such executed document.

Any consent by the Agency to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Lessee, or the successors or assigns of the Lessee, to obtain from the Agency, to the extent required hereunder, consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency under the foregoing covenant by the Lessee.

Notwithstanding any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement referred to in clause (b) above), the assigning or transferring Lessee shall not be released from its obligations to make rental payments pursuant to Section 3.4 of the IDA Lease Agreement unless 100% of the Holders of Outstanding Bonds shall have consented to such release.

Section 9.4. Separate Leases for Tax Purposes. The Leased Facilities and each unit of Facility Equipment constituting Financed Property shall be deemed solely for tax purposes to be the subject of a separate lease from each other item, each such separate lease to be identical to the IDA Lease Agreement, insofar as the Lessee relates to that property to the end that any invalidity or termination of the IDA Lease Agreement shall affect only that item of property, and the IDA Lease Agreement will remain valid with respect to the balance of the Facility. For all purposes other than tax purposes, this Lease shall be treated as a single lease of the Leased Facilities and each unit of Facility Equipment leased hereunder.

Section 9.5. Benefit of and Enforcement by Trustee. The Agency and the Lessee agree that the IDA Lease Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Agency and the Lessee (except to the extent of any of the Agency's Reserved Rights that are stated in the Indenture to be enforceable only by the Agency) as set forth in the IDA Lease Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in Article VIII of the Indenture on behalf of the Bondholders by the Trustee.

Section 9.6. Amendments. The IDA Lease Agreement may be amended only in accordance with the provisions of the Indenture and only by written instrument executed by the Agency and the Lessee.

Section 9.7. Notices. All notices, certificates or other communications hereunder shall be sufficient if sent by registered or certified United States mail, postage prepaid, addressed, if to the Agency, to the Chairman, New York City Industrial Development Agency, 110 William Street, New York, New York 10038 with a copy to the Executive Director of the Agency at the same address, if to the Lessee, to American Airlines, Inc., P.O. Box 619616, MD 5566, DFW Airport, Texas 75261-9616, Attention: Treasurer, and if to the Trustee, to The Bank of New York, Corporate Trust Administration, 101 Barclay Street, New York, New York 10286. The Agency, the Lessee and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given as of the date it shall have been mailed in the manner set forth above.

Section 9.8. Prior Agreements Superseded. The IDA Lease Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral (other than any Security Documents), between the Agency and the Lessee relating to the Facility.

Section 9.9. Severability. If any clause, provision or section of the IDA Lease Agreement be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

Section 9.10. Inspection of Facility. The Lessee will further permit the Agency, or its duly authorized agent, at all reasonable times to enter upon the Facility but solely for the purpose of assuring that the Lessee is operating the Facility, or is causing the Facility to be operated, as a qualified "project" under the Act consistent with the purposes set forth in the recitals to the IDA Lease Agreement and with the public purposes of the Agency, and not for any purpose of assuring the proper maintenance or repair of the Facility as such latter obligation is and shall remain solely the obligation of the Lessee.

Section 9.11. Effective Date; Counterparts. The IDA Lease Agreement shall become effective upon its delivery. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12. Binding Effect. The IDA Lease Agreement shall inure to the benefit of, and shall be binding upon, the Agency, the Lessee and their respective successors and assigns.

Section 9.13. Net Lease. It is the intention of the parties hereto that the IDA Lease Agreement be a "net lease" and that all of the rent be available for debt service on the Bonds, and the IDA Lease Agreement shall be construed to effect such intent.

Section 9.14. Law Governing. THE IDA LEASE AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. NOTHING CONTAINED IN THIS SECTION 9.14 SHALL AFFECT THE RIGHT OF ANY PARTY TO COMMENCE ANY ACTION, SUIT OR PROCEEDING IN CONNECTION WITH ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THE IDA LEASE AGREEMENT OR ANY ALLEGED BREACH HEREOF IN ANY COURT OF COMPETENT JURISDICTION.

Section 9.15. Investment of Funds. Any moneys held as part of the Rebate Fund, the Project Fund or the Bond Fund or in any special fund provided for in the IDA Lease Agreement or in the Indenture to be invested in the same manner as in any said Fund shall, at the written request of an Authorized Representative of the Lessee, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Applicable Tax Certificate). Neither the Agency nor the Trustee nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments, reinvestments or liquidations of investments or for any loss, fee, tax or other charge arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged.

Section 9.16. References to Credit Facility Provider Ineffective During Certain Periods and Under Certain Other Circumstances. During any period of time (1) in which (i) no Credit Facility is in effect and (ii) no amounts secured by the Indenture remain unpaid to a Credit Facility Provider, or (2) a Credit Facility Provider wrongfully dishonors or defaults upon its obligation to provide liquidity or credit support for a Series of Bonds submitted in accordance with such Credit Facility, references in the IDA Lease Agreement to such Credit Facility Provider shall be ineffective.

Section 9.17. Waiver of Trial by Jury. The parties do hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of the IDA Lease Agreement or the Facility or any matters whatsoever arising out of or in any way connected with the IDA Lease Agreement.

The provision of the IDA Lease Agreement relating to waiver of a jury trial shall survive the termination or expiration of the IDA Lease Agreement.

Section 9.18. No Recourse under the IDA Lease Agreement or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the

IDA Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installments, redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

Section 9.19. Acknowledgment of the Leasehold Mortgage. The Agency hereby acknowledges and consents to the Leasehold Mortgage.

Section 9.20. Date of Agreement for Reference Purposes Only. The date of the IDA Lease Agreement shall be for reference purposes only and shall not be construed to imply that the IDA Lease Agreement was executed on the date first above written. The IDA Lease Agreement was executed and delivered on the date of original issuance and delivery of the Series 2002A Bonds.

IN WITNESS WHEREOF, the Agency has caused its corporate name to be hereunto subscribed by its duly authorized Chairman, Vice Chairman, Executive Director or Deputy Executive Director and the Lessee has caused its corporate name to be subscribed hereto pursuant to a resolution duly adopted by its Board of Directors, such execution by each such party being done as of the year and day first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By _____
Carolyn A. Edwards
Deputy Executive Director

AMERICAN AIRLINES, INC.,
as Lessee

By Leslie M Benners
Leslie M. Benners
Managing Director
Corporate Finance and Banking

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 29th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Judith A. Capolongo
~~Notary Public~~

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County
Commission Expires October 23, 2003

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Leslie M. Benners, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in his capacity, and that by ~~his~~ her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ Putnam County
Commission Expires Dec. 29, 20 02

EXHIBITS

EXHIBIT A

Form of Equipment Schedule

EQUIPMENT SCHEDULE dated as of _____, 20__ between New York City Industrial Development Agency, as "Lessor", and American Airlines, Inc., as "Lessee".

Lessor and Lessee have heretofore entered into that certain IDA Lease Agreement dated as of July 1, 2002 (such IDA Lease Agreement, as amended and supplemented, the "Lease"). The Lease provides for the execution and delivery of Equipment Schedules substantially in the form hereof for the purpose of delivering Facility Equipment under and pursuant to, and subjecting Facility Equipment to, the terms of the Lease. All defined terms used herein shall have the same respective meanings as given such terms in the Lease, unless otherwise indicated herein.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease, and Lessee hereby accepts and leases from Lessor under and pursuant to the Lease, the Facility Equipment described in Annex I hereto.

2. This Equipment Schedule shall be deemed a supplement to, and shall be made a part of, the Lease for all purposes.

3. This Equipment Schedule may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Equipment Schedule to be executed by their duly authorized representatives as of the date and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name:_____
Title:_____

AMERICAN AIRLINES, INC.

By:_____
Name:_____
Title:_____

Annex 1 to
Equipment Schedule 1

Description of the Facility Equipment	Equipment Cost
[Description of the Facility Equipment] [Describe all similar units of property to be placed in service on or about the same date, having the same Residual Interest Possession Date and having the same Primary Term]	[Cost]

Initial Location:
John F. Kennedy Airport
Queens, New York

Acceptance Date:
Termination of Primary Term: [To be determined at discretion of Lessee]
Residual Interest Possession Date: [Not in excess of 80% of expected economic life]

[Repeat the above for other groups of Facility Equipment to be included on this Schedule]

Rental Allocation Schedule:

[Set forth the IDA Lease Agreement rental payments allocable to each unit, or class of units of Facility Equipment so that (i) the aggregate amount so allocated is equal to the amount described in Section 3.5 of the IDA Lease Agreement, and (ii) the allocation is as authorized by the appropriate representative of the Lessee.]

Form of Facility Improvements Schedule

FACILITY IMPROVEMENTS SCHEDULE dated as of _____, 20__ between New York City Industrial Development Agency, as "Lessor", and American Airlines, Inc., as "Lessee".

Lessor and Lessee have heretofore entered into that certain IDA Lease Agreement dated as of July 1, 2002 (such IDA Lease Agreement, as amended and supplemented, the "Lease"). The Lease provides for the execution and delivery of Facility Improvements Schedules substantially in the form hereof for the purpose of improving the Leased Premises under and pursuant to, and subjecting Facility Improvements to, the terms of the Lease. All defined terms used herein shall have the same respective meanings as given such terms in the Lease, unless otherwise indicated herein.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease, and Lessee hereby accepts and leases from Lessor under and pursuant to the Lease, the Facility Improvements described in Annex I hereto.

2. This Facility Improvements Schedule shall be deemed a supplement to, and shall be made a part of, the Lease for all purposes.

3. This Facility Improvements Schedule may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Facility Improvements Schedule to be executed by their duly authorized representatives as of the date and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name:_____
Title:_____

AMERICAN AIRLINES, INC.

By:_____
Name:_____
Title:_____

Annex 1 to
Facility Improvements Schedule 1

Description of the Facility Improvements	Facility Improvements Cost
[Description of the Facility Improvements]	[Cost]

Initial Location:
John F. Kennedy Airport
Queens, New York

Acceptance Date:
Termination of Primary Term: [To be determined at discretion of Lessee]
Residual Interest Possession Date: [Not in excess of 80% of expected economic life]

[Repeat the above for other groups of Facility Improvements to be included on this Schedule]

Rental Allocation Schedule:

[Set forth the IDA Lease Agreement rental payments allocable to each unit, or class of units of Facility Improvements so that (i) the aggregate amount so allocated is equal to the amount described in Section 3.5 of the IDA Lease Agreement, and (ii) the allocation is as authorized by the appropriate representative of the Lessee.]

Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

APPENDIX A

Definitions

APPENDIX A

DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean an irrevocable letter of credit, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit, guaranty or other similar agreement or agreements or any other agreement or agreements used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered to the Trustee in accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for one or more participants in such Depository.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

Controlled Entity shall mean any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (i) an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered

to the Trustee in accordance with the Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (b) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Lessee has participated or has been a party, or has been given the opportunity to participate or be a party or (c) the delivery to the Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (c) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, with respect to a Series of Bonds, each of the respective periods during which such Series of Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts and other similar obligations incurred in the ordinary course of business;

(iii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default or that are being contested in good faith

by appropriate proceedings in accordance with Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable (or which, if past due, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(viii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean at any time of the calculation thereof the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

APPENDIX B

ST-340

(10/99)

New York State Department of Taxation and Finance

Annual Report of Sales and Use Tax Exemption Claimed by Agent/Project Operator of Industrial Development Agency/Authority (IDA)

For Period Ending December 31, _____(enter year)

Project Information

Name of IDA agent/project operator		Federal employer identification number (EIN)
Street address		Telephone number
City	State	Zip code
Name of IDA agent/project operator's authorized representative, if any		Title
Street address		Telephone number
City	State	Zip code
Name of IDA		
Street Address		
City	State	Zip code
Name of project		Project number
Street address of project site		
City	State	Zip code

1. Project purpose: 0 Services 0 Construction 0 Agriculture, forestry, fishing
   0 Wholesale trade 0 Retail trade 0 Finance, insurance or real estate
   0 Transportation, communication, electric, gas or sanitary services
   0 Manufacturing 0 Other (*specify*) _____

2. Date project began: _____/_____/_____ (MM / DD / YY)

3. Beginning date of construction or installation (actual or expected): _____/_____/_____ (MM / DD / YY)

4. Completion date of construction phase of project (actual or expected): _____/_____/_____ (MM / DD / YY)

5. Completion date of project (actual or expected): _____/_____/_____ (MM / DD / YY)

6. Duration of project (years/months; actual or expected): _____/_____/_____ (Years / DD / Months)

7. Total sales and use tax exemptions (actual tax savings; NOT total purchases)	7	$	
Print name of officer, employee, or authorized representative signing for the IDA agent/project operator		Title of person signing	
Signature		Date	

Failure to file a complete report annually may result in the removal of authority to act as an IDA agent/project operator.

Mail completed report to: **NYS TAX DEPARTMENT, IDA UNIT, BLDG 8 RM 658, W A HARRIMAN CAMPUS, ALBANY NY 12227.**

General Information

Who must file?

The General Municipal Law (GML) and the Public Authorities Law require the agent/project operator (also known *as project occupant*) of an Industrial Development Agency or Authority (IDA) to file an annual report with the New York State Department of Taxation and Finance. The agent/project operator required to file this report is the person directly appointed by the IDA to act for and to represent the IDA for the project. The agent/project operator is ordinarily the one for whom the IDA project was created.

There is usually only one agent/project operator directly appointed by the IDA for an IDA project. However, if the IDA directly appoints multiple agents/project operators, each agent/project operator must file this form (unless they are related corporations).

Only the agent/project operator(s) directly appointed by the IDA must file Form ST-340. Contractors, subcontractors, consultants, or agents appointed by the agent/project operator(s) are not required to file Form ST-340.

What must be reported?

The report must show the total value of all state and local sales and use taxes exempted during the calendar year, as a result of the project's designation as an IDA project. This includes:

- the value of the exemptions obtained by the agent/project operator, and
- the value of the exemptions obtained by your contractors, subcontractors, consultants, and others, whether or not appointed as agents of the IDA.

The report requires only the total combined exemptions obtained by the above people. A break down of the total is not required. However, since the report must include the value of the exemptions they obtained, the agent/project operator must keep records of the amounts others report to the agent/project operator.

It is important that the agent/project operator make it clear to the contractors, subcontractors, consultants, and others that they must keep accurate tax information and have it available so that the agent/project operator can comply with the annual reporting requirements.

Do not include in this report the amount of any sales and use tax exemptions arising out of other provisions of the Tax Law (for example, manufacturer's production equipment exemption, research and development exemption, or contractor's exemption for tangible personal property incorporated into a project of an exempt organization).

See instructions below for additional information required.

When is the report due?

You must file Form ST-340 on a calendar-year basis. It is due by the last day of February of the following year. The reporting requirement applies to IDA projects started on or after July 21, 1993.

Need help?

Telephone assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday.
Tax information: 1 800 972–1233
Forms and publications: 1 800 462-8100
From outside the U.S. and outside Canada: (518) 485–6800
Fax-on-demand forms: 1 800 748–3676
Internet access: http://www.tax.state.ny.us
Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634–2100 (8:30 a.m. to 4:25 p.m., eastern time)

Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225–5829.

If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, Taxpayer Correspondence, W. A. Harriman Campus, Albany, NY 12227.

Project information

At the top of the form, identify the reporting period by entering the year in the spac provided. If an address is required, always include the ZIP code.

Name of IDA agent/project operator

Enter the name, address, federal employer identification number (EIN), and telephone number of the IDA agent/project operator.

Name of IDA agent/project operator's authorized representative

Enter the name, address, title, and telephone number of the individual (e.g. attorne or accountant) authorized by the IDA agent/project operator to submit this report.

Name of IDA

Enter the name and address of the IDA. If more than one IDA is involved in a particular project, the IDA agent/project operator must file a separate report for the tax exemptions attributable to each IDA.

Name of Project

Enter the name of the project and the address of the project site. If the IDA agent i involved in more than one project, a separate report must be filed by the IDA agent/project operator for each project, even if authorized by the same IDA.

Line instructions

Line 1 – Project purpose – Check the box that identifies the purpose of the projec If you check *Other,* please be specific in identifying its purpose.

Line 2 – Enter the date the project started (this means the earliest of the date of ar bond or inducement resolution, the execution of any lease, or any bond issuance). Include month, day, and year.

Line 3 – Enter the date on which you, or your general contractor or subcontractor, actually began or expect to begin construction or installation on the project. If the project does not involve any construction, enter ***Does not apply.***

Line 4 – Enter the date the construction phase of the project was completed. If it has not been completed by the end of the reporting period, enter the date you expe to complete this phase of the project.

Line 5 – Enter the date on which installation, lease, or rental of property (for example, machinery or computers) on the project ended. If the project was not completed by the end of the reporting period, enter the date the project is expectec to be completed.

Line 6 – Enter the total number of years and months from the project's inception to its completion or expected completion.

Line 7 – Enter the total amount of New York State and local sales and compensati use taxes exempted during the reporting period (if none, enter "0") as a result of th project's receipt of IDA financial assistance. This includes exemptions obtained at the time of purchase as well as through a refund or credit of tax paid. Include the sales and use taxes exempted on purchases of property or services incorporated into or used on the exempt project. This includes the taxes exempted on purchase made by or on behalf of the agent/project operator, the general contractor for the project, and any subcontractors, consultants, or others. Do not enter total purchas on line 7.

Signature area

Enter the name and title of the person signing on behalf of the IDA agent/project operator (for example, the IDA agent/project operator's officer, employee, or other authorized representative). The IDA agent/project operator's officer, employee, or authorized representative must sign the report. Enter the date signed.

Mail completed report to: NYS Tax Department, IDA Unit, Bldg. 8 Rm 658, W. A. Harriman Campus, Albany, NY 12227.

Privacy notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions, and forms, is found in Articles 8, 28, and 28-A of the Tax Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department uses this information primarily to determine and administer sales and use taxes or liabilities under the Tax Law, and for any other purpose authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of the Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W. A. Harriman Campus, Albany, NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Annual Employment Report

For the Year Ending June 30, ____

In order to comply with Local and State employment reporting requirements, the New York City Industrial Development Agency must require all of its project companies to complete and return the Report to the Agency no later than August 1, ____.

_____

_____

_____

Telephone # _____

Tax ID # _____

Please provide information as of June 30th of jobs at the Project Location(s). Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location.

Number of existing FULL TIME JOBS

_____

Number of existing PART TIME JOBS

_____

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this transaction.

Name of Company
Principal/Owner/Chief Financial Officer _____ **(Please Print)**

Signature **Date**

If you have any questions, please call the Compliance Helpline at (212) 312-3963

Please submit the completed form to: *New York City Industrial Development Agency*
110 William Street, New York, NY 10038
Attention: Compliance Unit

Annual Employment Report

FOR BOND REDEMPTIONS AND TERMINATIONS

In order to comply with Local and State employment reporting requirements, The New York City Industrial Development Agency must require all of its project companies to complete and return the Annual Employment Report.

Project Company & Project Location(s) (use additional sheet if necessary)

Telephone # _____

Tax ID # _____

Please provide your most current employment figures at the Project Location(s) listed above. Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location(s).

Number of existing FULL TIME JOBS _____

Number of existing PART TIME JOBS _____

Date of job information (Month/Day/Year) _____

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this Lease.

Name of Company _____

Principal/Owner/Chief Financial Officer _____ (Please Print)

Signature _____ **Date** _

If you have any questions, please call the Compliance Helpline at (212) 312-3963

BENEFITS REPORT

SALES TAX BENEFITS - *not applicable* ☐.

Machinery & Equipment

Purchase Cost: $_____

Sales Tax Benefits: $_____

NPV of Benefits*: $_____

Other *(please specify)*_____

Purchase Cost: $_____

Sales Tax Benefits: $_____

NPV of Benefits*: $_____

Tenant Improvements

Purchase Cost: $_____

Sales Tax Benefits: $_____

NPV of Benefits*: $_____

Other *(please specify)*_____

Purchase Cost: $_____

Sales Tax Benefits: $_____

NPV of Benefits*: $_____

Total Purchase Costs: $_____
Total Sales Tax Benefits: $_____
Discount Rate Percentage: _____%
Total NPV of Sales Tax Benefits*: $_____

BUSINESS INCENTIVE RATE - *not applicable* ☐.

Normal Rate: $_____
Incentive Rate: $_____
Savings: $_____

Company (please print): _____

Authorized Signature: _____

Title: _____ *Date:* _____

* *if applicable*

APPENDIX E

20__ subtenant survey

In order to verify compliance with Section 9.3 of your Lease Agreement, please list all subtenants occupying space in your facility and the corresponding information in complete form by **JANUARY 1, 20__.**

IMPORTANT FOR PILOT RECIPIENTS

FAILURE TO SUPPLY THIS INFORMATION BY THE ABOVE STATED DUE DATE WILL CONSTITUTE AN EVENT OF DEFAULT PURSUANT TO SECTION 7.1 OF THE LEASE AGREEMENT AND YOUR COMPANY MAY BE SUBJECT TO A TERMINATION OF THE PILOT BENEFITS.

Subtenant	Floor	Square Feet Leased	Lease Begins	Lease Ends

I, the undersigned hereby certify to the best of my knowledge and belief, that the information reported above is true and complete. I understand that this information is submitted pursuant to the requirements of the IDA Lease Agreement.

Name: _____ Title: _____

Signature: _____ Date: _____

Please mail this form to the address below, ATTENTION: COMPLIANCE UNIT

Execution Copy

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

MASTER INDENTURE OF TRUST

Dated as of July 1, 2002

New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)

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MASTER INDENTURE OF TRUST

THIS MASTER INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof, by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a banking corporation authorized to accept and execute trusts of the character herein set out, as Trustee under this Master Indenture of Trust (together with its successors in such capacity and its and their assigns hereafter appointed in the manner provided herein, the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") has been heretofore enacted by the Legislature of the State of New York for the purposes, among others, of providing for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York, to promote, develop, encourage, assist and advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, the Agency has been heretofore established under said Enabling Act pursuant to Chapter 1082 of the 1974 Laws of New York, as amended and is authorized to acquire real property and interests therein, buildings and other improvements thereon and machinery and equipment in connection therewith for the purposes set forth above, and to lease the same as herein more particularly described; and

WHEREAS, the Agency is further authorized by the Act (as defined herein) to issue its special obligation bonds payable solely from and secured by the revenues derived from the leasing of the land, buildings and other improvements and the machinery and equipment so acquired; and

WHEREAS, to accomplish its corporate purpose, the Agency has entered into negotiations with American Airlines, Inc. (the "Lessee"), a corporation organized and existing under and by virtue of the Laws of the State of Delaware and authorized to do business in the State of New York, to induce the Lessee to undertake a project consisting of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York (the "Airport"), and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal, all to be

used and managed by the Lessee as a passenger facility located at the Airport in the Borough of Queens, City and State of New York; and

WHEREAS, the premises on which the Facility is to be located (i) are subject to the terms of an Agreement of Lease dated April 17, 1947, as amended and supplemented (the "Basic Lease"), between The City of New York (the "City"), as lessor, and The Port Authority of New York and New Jersey (the "Port Authority"), as lessee, and (ii) have been subleased by the Port Authority to the Lessee, pursuant to an Agreement of Lease entered into as of August 1, 1976 (Agreement No. AYB-085) as supplemented and amended and as further supplemented, amended, and restated in an Amended and Restated Lease Agreement No. AYB-085R dated as of December 22, 2000, between the Port Authority and the Lessee, as amended by Supplement No. 1 thereto and as the same may hereafter be further amended and supplemented (the "PA Lease"); and

WHEREAS, contemporaneously herewith the Leased Facilities are being sub-subleased to the Agency, as sublessee, by the Lessee, as sublessor, pursuant to a Company Sublease Agreement, dated as of July 1, 2002, between the Lessee and the Agency (as consented to by the Port Authority in a Consent to Subleases and Leasehold Mortgage Agreement dated as of July 31, 2002, by and among the Lessee, AMR Corporation, the Agency, the Trustee and the Port Authority (the "Consent Agreement")); and

WHEREAS, the Agency has determined that the Project is necessary to provide employment in, and is beneficial for the economy and prosperity of the inhabitants of, The City of New York and is reasonably necessary to induce the Lessee to proceed with the Project; and

WHEREAS, as a result of such negotiations the Agency has agreed to issue its New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in one or more Series to finance a portion of the Project Costs; and

WHEREAS, contemporaneously with the execution of this Master Indenture, the Agency and the Lessee will enter into a IDA Lease Agreement of even date herewith which shall provide for the financing of a portion of the costs of the Project by the Agency and the leasing of the Facility to the Lessee; and

WHEREAS, the Agency, in order to provide funds for ongoing costs of the Project and for incidental and related costs thereto, will from time to time issue and sell subsequent to the issuance of the Series 2002 Bonds, Additional Bonds pursuant to the IDA Lease Agreement and Series Supplemental Indentures supplementing this Master Indenture of Trust; and

WHEREAS, the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on each Series of Bonds issued hereunder from time to time will be secured by a Guaranty from AMR to the Trustee and a separate Guaranty from the Lessee to the Trustee; and

WHEREAS, the payment of amounts due under the Guaranty shall be secured by a Leasehold Mortgage and Security Agreement from the Lessee and the Trustee pursuant to which

the Lessee shall grant to the Trustee as leasehold mortgagee a leasehold mortgage and security interest in the Lessee's leasehold interest in the PA Lease; and

WHEREAS, the Leasehold Mortgage shall not be effective, the lien created by the Leasehold Mortgage shall not attach, the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date; and

WHEREAS, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds will be secured by an Equipment Security Agreement executed concurrently herewith pursuant to which the Agency and the Lessee will pledge and assign a security interest to the Trustee in, or in Lessee's leasehold interest in, certain Facility Equipment; and

WHEREAS, the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on certain Series of Bonds may from time to time be secured by a Credit Facility to be provided by a Credit Facility Provider pursuant to a Credit Facility Agreement between such Credit Facility Provider and the Lessee; and

WHEREAS, all things necessary to make the Bonds when authenticated by the Trustee and issued as in the Indenture provided, the valid, binding and legal special obligations of the Agency according to the import thereof, and to constitute this Master Indenture a valid pledge and assignment of the lease rentals, revenues and receipts herein made to the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments if any, of, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Master Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS MASTER INDENTURE WITNESSETH:

That the Agency in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure, in the following order of priority, first, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds according to their tenor and effect and the performance and observance by the Agency of all the covenants expressed or implied herein and in the Bonds and, second, the payment to a Credit Facility Provider, if any, and the performance of the reimbursement and other obligations of the Lessee under any Credit Facility Agreement, does hereby grant, bargain, convey, transfer, grant a security interest in, pledge and assign unto The Bank of New York, as Trustee, and unto its respective successors in trust, and to its respective assigns, forever for the securing of the performance of the obligations of the Agency hereinafter set forth the following:

GRANTING CLAUSES

I

All right, title and interest of the Agency in and to the IDA Lease Agreement, including, but not limited to, all lease rentals, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which Reserved Rights may be enforced by the Agency and the Trustee jointly or severally subject to the limitations contained in the IDA Lease Agreement and the Indenture. Notwithstanding the foregoing grant, the Trustee and the Agency acknowledge and agree that neither the Agency nor the Trustee (except as secured party under the Equipment Security Agreement or as Leasehold Mortgagee under the Leasehold Mortgage) pursuant to its rights hereunder have or shall have any rights to appoint a receiver for, right of entry or re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning or subletting of all or any part of the Facility.

II

All moneys and securities from time to time held by the Trustee under the terms of the Indenture (other than monies and securities held in the Rebate Fund or in any Bond Purchase Fund), and all investment earnings of any of the foregoing, subject to disbursements therefrom in accordance with the provisions of the IDA Lease Agreement and the Indenture; provided, however, that any amounts held with respect to a Credit Facility for a Series of Bonds shall be pledged solely to such Series of Bonds secured by such Credit Facility and any amounts held in any Account held in the Debt Service Reserve Fund for a Series of Bonds shall be pledged solely to such Series of Bonds; provided, further, that there is hereby expressly excluded from any assignment, pledge, lien or security interest granted to the Trustee any amounts set apart and transferred to the Rebate Fund or any Bond Purchase Fund.

III

Any and all other property of every kind and nature from time to time which was heretofore or hereafter is by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Agency or by any other person, firm or corporation with or without the consent of the Agency, to the Trustee with respect to any Series of Bonds which is hereby authorized to receive any and all such property at any time and at all times to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in trust and to them and their assigns forever for the benefit of the Holders of the Bonds;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, first, for the equal and proportionate benefit, security and protection of all Holders and owners of the Bonds issued under and secured by the Indenture without privilege, priority or distinction, except as otherwise expressly provided in the Indenture, and, second, for the benefit and security of each Credit Facility Provider with respect to the Lessee's obligations under the related Credit Facility

Agreement, provided further, however, that if the Agency, its successors or assigns, shall well and truly pay, or cause to be paid, the principal and any applicable redemption premium of all the Bonds Outstanding and the interest due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof and shall make the payments into the Bond Fund as required under the Indenture or shall provide as permitted hereby for the payment thereof by depositing or causing to be deposited with the Trustee sufficient amounts, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, and if the Lessee shall pay and perform or cause to be paid and performed all of its payments and other obligations under each Credit Facility Agreement, then upon such final payments the Indenture and the rights hereby granted shall cease, determine and be void; otherwise, the Indenture to be and remain in full force and effect.

THIS MASTER INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all the Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee, with the respective Holders and owners, from time of the Bonds or any part thereof, as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 Definitions. Terms not otherwise defined herein shall have the same meanings as set forth in Appendix A attached hereto and made a part hereof.

SECTION 1.02 Construction. (a) In this Master Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Master Indenture, refer to this Master Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Master Indenture.

(ii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(iv) Any headings preceding the texts of the several Articles and Sections of this Master Indenture, and any table of contents appended to copies hereof, shall be

solely for convenience of reference and shall not constitute a part of this Master Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever the Agency is named or referred to, it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Agency contained in the Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Agency, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

(c) Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Agency, the Trustee, the Bond Registrar, the Lessee, each Credit Facility Provider, the Paying Agents, each Tender Agent (if any), each Remarketing Agent (if any) and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Registrar, the Lessee, each Credit Facility Provider, the Paying Agents, each Tender Agent (if any), each Remarketing Agent (if any) and the Holders of the Bonds.

SECTION 1.03 Indenture Constitutes Contract. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Holders of the Bonds, and the pledges made in the Indenture and the covenants and agreements herein set forth to be performed by the Agency shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01 Authorized Amount of Bonds; Pledge Effected by the Indenture.

(a) There are hereby authorized Bonds of the Agency to be issued in multiple Series as hereinafter provided. No Bond of any Series may be authenticated and delivered under the Indenture except in accordance with this Article. Except as provided hereby, the total aggregate principal amount of Bonds of any Series that may be authenticated and delivered under the Indenture is limited to $2.3 billion.

(b) The proceeds of Bonds deposited in the Project Fund and certain of the lease rentals, receipts and revenues payable by the Lessee under the IDA Lease Agreement,

including moneys which are required to be set apart, transferred and pledged to the Bond Fund, to the Lease Payments Fund or to certain special funds (including the investments, if any, thereof) (subject to disbursements from such Funds in accordance with the provisions of the Indenture, and when so disbursed, such amounts shall be released automatically from the lien and security interest of the Indenture) are pledged by the Indenture for the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on the Bonds. Amounts on deposit in any Account held in the Debt Service Reserve Fund with respect to a Series of Bonds are pledged solely to secure the principal of and interest on the Bonds of such Series. Amounts in the Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person.

Except as may otherwise be expressly provided in the Indenture, each Series of Bonds shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and the interest thereon. Each Series of Bonds issued under the Indenture shall be secured by the Guaranty and the obligation of the Guarantor under the Guaranty will be secured by the Leasehold Mortgage; but as provided in Section 92, the Consent Agreement and the Leasehold Mortgage, the Leasehold Mortgage shall not attach, the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date. Each Series of Bonds issued hereunder shall be special obligations of the Agency, secured and payable (except to the extent payable out of proceeds from the sale of such Series of Bonds or the income from the temporary investments thereof) by the Agency solely out of the revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture and from any amounts otherwise available under the Indenture for the payment of such Bonds, from amounts payable under the Guaranty, from amounts payable under the Equipment Security Agreement and from amounts payable to the Trustee as Leasehold Mortgagee under the Leasehold Mortgage. The Bonds shall be additionally secured by a pledge and assignment of the Agency's right, title and interest in and to the IDA Lease Agreement (excluding Agency Reserved Rights) and except for the Equipment Security Agreement, shall not be secured by any other lien on or security interest or other possessory interest in the Facility or by any leasehold interest of the Port Authority, the Lessee or the Agency or any fee or leasehold interest of the City in the Facility. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement or shall otherwise default under the IDA Lease Agreement, and, as a result thereof, the principal of the Bonds is declared or becomes due and payable, none of the Agency, the Trustee (except as mortgagee under the Leasehold Mortgage and except as secured party under the Equipment Security Agreement), or any Holder of any of the Bonds or any Credit Facility Provider shall have any rights or remedies with respect to the Facility or leasehold interest of the Port Authority, the Agency or the Lessee or any fee or leasehold interest of the City but shall only have the rights under the IDA Lease Agreement (exclusive of Possessory Rights and Remedies and subject to Section 8.12 hereof) including the right to enforce against the Lessee the obligation of the Lessee to pay lease rental payments sufficient to enable the Agency to pay the principal of, Purchase Price, Redemption Price, Sinking Fund Installments, if any, of and interest on the Bonds and the right herein to realize upon any of the Funds. Except as set forth in Section 92 of the PA Lease and any corresponding

provision of the City-American Lease, neither the Port Authority nor the City shall have any obligation whatsoever with respect to the Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds or for any claim based thereon or hereunder against any such member, officer, director, employee or agent or against any natural person executing the Bonds.

The Bonds shall never constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Any payments paid to the Trustee by the Lessee shall be deemed paid by the Agency and any payments made to the Lessee by the Trustee shall be deemed paid by the Trustee to the Agency and by the Agency to the Lessee.

SECTION 2.02 Provisions for the Issuance of Bonds. (a) So long as the IDA Lease Agreement is in effect, one or more Series of Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying Project Costs. The issuance of Bonds of a Series shall be authorized by the Applicable Series Supplemental Indenture, executed with respect to the Series 2002 Bonds on the date hereof or, with respect to any Series of Additional Bonds, subsequent to the date hereof, which shall be subject to the express limitations contained in the Indenture. The Bonds shall be payable from the lease rentals, receipts and revenues payable by the Lessee under the IDA Lease Agreement. Simultaneously with issuance of the Series 2002 Bonds hereunder, the Lessee shall enter into the IDA Lease Agreement. Simultaneously with the issuance of the Series 2002 Bonds hereunder and each Series of Additional Bonds issued hereunder, the Agency and the Trustee shall execute and deliver Applicable Series Supplemental Indentures in connection therewith. Simultaneously with the issuance of each Series of Additional Bonds after the Series 2002 Bonds the Agency and the Lessee shall enter into IDA Lease Amendments relating thereto. Such amendments together with the IDA Lease Agreement shall provide, among other things, that the rentals payable thereunder shall equal the payment in full the principal of, Redemption Price, Purchase Price and Sinking Fund installments, if any, of and interest on all Outstanding Bonds and any other costs in connection therewith.

(b) Each such Series of Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of the sale of a Series of Bonds, they shall be delivered by the Trustee to or upon the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) in the case of the Series 2002 Bonds, a copy of the resolution of the Agency dated October 23, 2001 as amended November 13, 2001 duly certified by the Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency,

authorizing, issuing and awarding such Series 2002 Bonds to the purchasers thereof and providing for the terms thereof and authorizing the Applicable Series Supplemental Indenture;

(ii) with respect to each Series of Additional Bonds, a copy of the resolution of the Agency, duly certified by the Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, authorizing, issuing and awarding the Bonds of such Series to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of the Applicable Series Supplemental Indenture and the Applicable IDA Lease Amendment;

(iii) with respect to the Series 2002 Bonds, the original executed counterparts of the IDA Lease Agreement;

(iv) with respect to each Series of Additional Bonds, an original executed counterpart of the Applicable IDA Lease Amendment;

(v) with respect to each Series of Bonds issued hereunder, a written opinion by Bond Counsel to the effect that the issuance of the Bonds of such Series and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof (other than conditions relating to matters affecting title to the Facility) have been fulfilled and that the issuance of such Bonds will not affect the exclusion of interest on any Series of Tax-Exempt Bonds Outstanding from gross income for Federal income tax purposes;

(vi) except with respect to the Series 2002 Bonds and unless waived by the Agency, a certificate of an Authorized Representative of the Lessee and of each other obligor (other than the Agency) with respect to any of the Security Documents, together with any supplement thereto with respect to such Series of Bonds, to the effect that each such Security Document, together with any supplement thereto (if any) continues in full force and effect and that no event of default has occurred and is continuing thereunder nor any event which upon notice or lapse of time or both would become an event of default thereunder;

(vii) with respect to the Series 2002 Bonds, an original executed counterpart of the Guaranty and the Equipment Security Agreement;

(viii) with respect to each Series of Additional Bonds, an original, executed counterpart of an amendment or supplement of the Equipment Security Agreement and each Security Document, if necessary;

(ix) with respect to each Series of Bonds issued hereunder, a written order to the Trustee executed by an Authorized Representative of the Agency to authenticate and deliver the Bonds of such Series to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any;

(x) with respect to each Series of Bonds issued hereunder, if applicable, a certificate of an Authorized Representative of the Agency stating the amount required to be in the Applicable Account of the Debt Service Reserve Fund, if any, after issuance of such Series of Bonds then to be issued, and that after deposit in such Applicable Account of

the Debt Service Reserve Fund of the amount, if any, to be deposited therein in connection with the issuance of such Series of Bonds, the amount on deposit in such Account will not be less than the Debt Service Reserve Account Requirement related thereto;

(xi) [Reserved]

(xii) with respect to each Series of Bonds issued hereunder, unless the Trustee is a party thereto, a copy of the agreement between the Agency and the Depository for the Bonds of such Series; and

(xiii) With respect to each Series of Bonds issued hereunder, the Applicable Credit Facility, if any, obtained in connection with the issuance of the Bonds of such Series.

No Bonds may be used authenticated or delivered hereunder for the purpose of refunding any other Bonds outstanding hereunder.

(c) The Bonds of each Series issued pursuant to this Section shall be equally and ratably secured under the Indenture, the Guaranty and the Equipment Security Agreement with all other Bonds issued pursuant to this Section, without preference, priority or distinction of any Bond over any other Bonds except as otherwise provided in Section 2.01 hereof, and except as otherwise provided in or permitted by the Indenture with respect to an Applicable Credit Facility or Applicable Account of the Debt Service Reserve Fund relating to such Series of Bonds.

(d) Notwithstanding anything contained herein to the contrary, no Series of Additional Bonds shall be issued unless the IDA Lease Agreement, as amended by the Applicable IDA Lease Amendment is in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. Each Series of Bonds shall be designated by the name as "New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project)" and be separately designated by series.

SECTION 2.03 Supplemental Indentures. Each Series of Bonds issued hereunder shall be issued pursuant to an Applicable Series Supplemental Indenture authorizing the issuance of such Series of Bonds. Each Series Supplemental Indenture shall specify the following:

(a) The authorized principal amount of such Series of Bonds.

(b) The purpose or purposes for which such Series of Bonds is being issued, which shall be limited to the purpose of payment or reimbursement of Project Costs.

(c) The dated date or dates, the maturity date or dates and principal amounts of each maturity of the Bonds of such Series, the amount and date of each Sinking Fund Installment, if any, and the Record Date or Record Dates of the Bonds of such Series.

(d) The interest rate or rates, if any, of the Bonds of such Series or the manner of determining such rate or rates, the date from which interest on the Bonds of such Series shall accrue, the first date on which interest on the Bonds of such Series shall be payable and the date or dates on which the rate at which Multi-Modal Interest Rate Bonds of such Series bear interest shall be adjusted and the date or dates on which interest on Multi-Modal Interest Rate Bonds shall be paid, or the manner of determining the same and the manner in which interest is to be paid on such Multi-Modal Interest Rate Bonds.

(e) The provisions regarding tender for purchase or redemption thereof and payment of the Purchase Price or Redemption Price thereof, if any, provided that each Series Supplemental Indenture shall contain the following redemption provisions:

(i) in the event that the Company Sublease shall have terminated, the Bonds shall be subject to mandatory redemption in whole prior to maturity at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Bonds, together with accrued interest to the date of redemption, but without premium;

(ii) in the event that any portion of the Leased Facilities is released from the PA Lease or the City-American Lease, as the case may be, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Bonds shall be subject to mandatory redemption at par in a principal amount (rounded down to the nearest authorized denomination) equal to the Release Price; and

(iii) the Bonds shall be subject to extraordinary mandatory redemption prior to maturity at any time at a redemption price of 100% of the unpaid principal amount thereof plus accrued interest thereon, if any, to the redemption date to the extent and as soon as practical following the Trustee's receipt of any moneys received by the Trustee as a result of the exercise by the Port Authority of its purchase rights under Section 92(v) of the PA Lease or the exercise by the City of any comparable purchase rights contained in the City-American Lease.

(f) The denomination or denominations of and the manner of numbering and lettering the Bonds of such Series.

(g) The Redemption Price or Redemption Prices, if any, and, subject to Article VI hereof, the redemption terms, if any, for the Bonds of such Series.

(h) Provisions for the sale of the Bonds of such Series and for the delivery thereof.

(i) The form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon, and whether any Bonds of such Series are to be issued as Book-Entry Bonds and the Depository therefor; *provided* that, each Bond shall contain the following provision:

"Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease and the

Consent Agreement and, upon the effectiveness thereof, the City-American Lease and, except with respect to the RNDA or except upon the effectiveness of the City-American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement, or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by purchase or transfer and acceptance hereof) further agrees that neither the Agency, the Bondholder, nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition, to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee."

(j) Directions for the application of the proceeds of the Bonds of such Series.

(k) The maximum maturity date for the Bonds of such Series, which shall not exceed December 1, 2036.

(l) With respect to any Series Supplemental Indenture authorizing a Series of Bonds to be secured by a Credit Facility, a requirement that simultaneously with the delivery of

any Credit Facility thereunder by any Credit Facility Provider, such Credit Facility Provider shall deliver to the Port Authority a Certificate of Assumption required by the Consent Agreement. Delivery of such Certificate of Assumption shall be a precondition to the acceptance by the Trustee of any Credit Facility thereunder.

(m) Whether the Bonds issued under such Series Supplemental Indenture will be Tax-Exempt Bonds.

(n) Any other provisions deemed advisable by an Authorized Representative of the Agency, not in conflict with the provisions hereof or of any Series Supplemental Indenture.

All Bonds of a Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters, and except that Bonds of a Series of like maturity may be Multi-Modal Interest Rate Bonds and Bonds which bear interest at a fixed rate.

SECTION 2.04 Limitation of Agency's Liability. Anything in the Indenture, the Bonds, the IDA Lease Agreement, the Leasehold Mortgage, the Equipment Security Agreement, the Guaranty or any other Security Document to the contrary notwithstanding, any obligations of the Agency under the Indenture or the Bonds or under the IDA Lease Agreement or under any other Security Document or related document for the payment of money shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, but any such obligation shall be a special limited obligation of the Agency secured and payable solely as provided in the Indenture.

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01 Date of Bonds. Each Series of Bonds shall be dated and shall bear interest in the manner set forth in the Applicable Series Supplemental Indenture authorizing such Series of Bonds.

SECTION 3.02 Form and Denominations. The Bonds are issuable in the form of fully registered bonds in the denominations specified in the Applicable Series Supplemental Indenture authorizing the issuance thereof. Subject to the provisions of Sections 2.03(i) and 3.03 hereof, the Bonds shall be in substantially the form set forth in the Series Supplemental Indenture relating thereto, with such variations, omissions, substitutions and insertions as are permitted or required by such Series Supplemental Indenture.

SECTION 3.03 Legends. Each Bond shall contain on the face thereof a statement to the effect that "THIS BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR OF THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY OTHER THAN THOSE PLEDGED THEREFOR." The Bonds may in addition contain or have endorsed thereon such

provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom or otherwise as may be determined by the Agency prior to the delivery thereof.

SECTION 3.04 Medium of Payment. The principal, Purchase Price, Redemption Price, and Sinking Fund Installments if any, of and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts or such other currency as may be permitted by law and the Act and provided in a Series Supplemental Indenture relating to the applicable Series of Bonds. Such payment may be made as provided in the Series Supplemental Indenture relating to any Series of Bonds.

SECTION 3.05 Bond Details. Subject to the provisions hereof, the Bonds of each Series shall be dated, shall mature in such years and such amounts, shall bear interest at such rate or rates per annum, shall be subject to redemption on such terms and conditions and shall be payable as to principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, thereof, and interest thereon, at such place or places as shall be specified in the Applicable Series Supplemental Indenture relating to such Series of Bonds.

SECTION 3.06 Interchangeability, Transfer and Registry. (a) Each Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Bond and only upon the books of the Agency, which shall be kept for the purpose at the principal corporate trust office of the Trustee in the City, by the registered owner thereof in person or by his duly authorized attorney-in-fact with signature guaranteed, upon presentation thereof together with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact. Upon the transfer of any Bond the Trustee shall prepare and issue in the name of the transferee one or more new Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(b) Any Bond, upon surrender thereof at the principal corporate trust office of the Trustee in the City with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity of any other authorized denominations. However, except for Bonds of a Series that have been tendered or deemed tendered for purchase by the Holders thereof pursuant to the terms thereof, the Trustee will not be required to transfer or exchange any Bonds of such Series during the period between a Record Date and the following Interest Payment Date for such Series of Bonds or during the period of fifteen (15) days next preceding any day for mailing of a notice of redemption of Bonds to be redeemed. Bonds called or being called for redemption or mandatory tender for purchase may be transferred or exchanged only if the Trustee provides the new Holder with a copy of the notice of redemption or notice of mandatory tender, as the case may be.

(c) The Agency the Lessee, the Bond Registrar, the Trustee, any Tender Agent, any Remarketing Agent, and any Paying Agent may deem and treat the person in whose name any Bond shall be registered as the absolute owner of such Bond, whether such Bond shall

be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, Purchase Price, and Redemption Price, and Sinking Fund Installments, if any, of and interest on such Bond and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Agency, the Lessee, the Bond Registrar, the Trustee, any Tender Agent, any Remarketing Agent, nor any Paying Agent shall be affected by any notice to the contrary.

SECTION 3.07 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Agency shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like Series, maturity and unpaid principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence reasonably satisfactory to it that such Bond has been destroyed, stolen or lost, and upon furnishing the Agency, the Lessee and the Trustee with an indemnity satisfactory to the Agency, the Lessee and the Trustee (which may be an undertaking from an insurance company acceptable to the Agency, the Lessee and the Trustee) and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Agency and the Trustee may incur. All Bonds so surrendered to the Trustee shall be canceled by it. Every new Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is mutilated, destroyed, lost or stolen, shall, with respect to such Bond, constitute an additional contractual obligation of the Agency whether or not the mutilated, destroyed, lost or stolen Bond shall be found and shall be enforceable at any time, and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued hereunder. In the event any such mutilated, destroyed, stolen or lost Bond shall have matured, or be about to mature, the Agency may, instead of issuing a new Bond, cause the Trustee to pay the same without surrender thereof upon compliance with the condition in the first sentence of this Section out of moneys held by the Trustee and available for such purpose. All Bonds shall be held and owned upon the express condition (to the extent lawful) that the foregoing provisions are exclusive with respect to the replacement or payment of any mutilated, destroyed, lost or stolen Bond and shall preclude any and all other rights and remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 3.08 Cancellation of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds shall thereupon be promptly canceled. Bonds so canceled shall be held by the Trustee or, upon the written request of the Agency, delivered to the Agency.

SECTION 3.09 Requirements With Respect to Transfers. In all cases in which the privilege of transferring Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Master Indenture or any Applicable Series Supplemental Indenture. All Bonds surrendered in any such transfer shall forthwith be canceled by the Trustee. For every such transfer of Bonds, the Agency or the Trustee may, as a condition precedent to the privilege of making such transfer, make a charge

sufficient to reimburse it for any out-of-pocket expense, tax, fee or other governmental charge required to be paid with respect to such transfer, and may charge a fee for preparing each new Bond, which sum or sums shall be paid by the Person requesting such transfer.

SECTION 3.10 Bond Registrar. The Trustee shall serve as Bond Registrar for the Bonds, and shall maintain a register showing the names of all registered Holders of Bonds, Bond numbers and amounts, and other information appropriate to the discharge of its duties hereunder. Bonds may be presented at the principal corporate trust office of the Trustee in the City for registration, transfer and exchange, and for payment. The Trustee shall make available to the Lessee for its inspection during normal business hours the registration books for the Bonds, as may be requested by the Lessee.

SECTION 3.11 Temporary Bonds. Pending preparation of definitive Bonds, the Agency may issue, in lieu of definitive bonds, one or more temporary printed or typewritten Bonds in authorized denominations, of substantially the tenor recited above. In the event temporary Bonds are used, the Agency shall cause definitive Bonds to be prepared without undue delay. At the written request of the Agency, the Trustee shall authenticate definitive Bonds of such Series in exchange for and upon surrender of an equal principal amount of temporary Bonds of the same Series and maturity. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

SECTION 3.12 Book-Entry Bonds. Anything herein to the contrary notwithstanding, Bonds may be authorized and issued as Book-Entry Bonds in accordance with the Series Supplemental Indenture authorizing such Bonds.

For all purposes of the Indenture, the Holder of a Book-Entry Bond shall be the Depository therefor and neither the Agency, the Bond Registrar, the Lessee, the Guarantor nor the Trustee shall have responsibility or any obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Depository. Without limiting the generality of the foregoing, neither the Agency, the Bond Registrar, the Lessee, the Guarantor nor the Trustee shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book-Entry Bond with respect to (i) the accuracy of the records of the Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any amount with respect to the principal, Purchase Price, or Redemption Price of, or interest on, such Bond. The Agency, the Bond Registrar, the Lessee, the Guarantor and the Trustee may treat the Depository therefor as the absolute owner of a Book-Entry Bond for the purpose of (x) payment of the principal and Purchase Price or Redemption Price of, and interest on such Bond, (y) giving notices of redemption and/or tender and of other matters with respect to such Bond, and (z) registering transfers with respect to such Bond, and for all other purposes whatsoever. All principal, Purchase Price or Redemption Price of, as applicable, and interest on, such Bond shall be paid only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to such principal, Purchase

Price or Redemption Price and interest to the extent of the sum or sums so paid. No person other than the Depository shall receive a Bond or other instrument evidencing the Agency's obligation to make payments of the principal, Purchase Price or Redemption Price thereof, and interest thereon.

Anything herein to the contrary notwithstanding, payment of the Redemption Price and related interest or the Purchase Price of Book-Entry Bonds which are redeemed or purchased prior to maturity may be paid to the Depository by wire transfer without surrender of Bonds to the Trustee; provided, however, payment of principal and interest at maturity of Book-Entry Bonds requires surrender of such Book-Entry Bonds to the Trustee.

The Agency, in consultation with the Lessee and without the consent of the Trustee, the beneficial owner of any Book-Entry Bonds or any other person, may terminate the services of the Depository with respect to Book-Entry Bonds if the Agency determines the (i) the Depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of like Series issued in Book-Entry form be registered in the registration books of the Agency in the name of the Depository, is not in the best interest of the beneficial owners of such Bonds. The Agency shall terminate the services of the Depository upon receipt by the Agency and the Trustee of written notice from the Depository that it has received written requests that such Depository be removed from its participants having beneficial interest, as shown in the records of the Depository, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Bonds (of such Series) for which the Depository is serving as depository.

Upon the termination of the services of a Depository with respect to a Book-Entry Bond as described in the proceeding paragraph, or upon the resignation of a Depository with respect to a Book-Entry Bond, after which no substitute securities depository willing to undertake the functions of such Depository can be found which, in the opinion of the Agency, is able to undertake such functions upon reasonable and customary terms, such Bonds shall no longer be registered in the registration books kept by the Bond Registrar in the name of a Depository, but shall be registered in the name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of Article III hereof.

Bondholders shall have no right to a book-entry system.

SECTION 3.13 Tender of Bonds. A Bond of a Series which is required to be delivered for redemption or purchase pursuant to the provisions of the Applicable Series Supplemental Indenture shall be deemed delivered or surrendered as provided in such Applicable Series Supplemental Indenture even though such Bond has not been actually presented and surrendered by the Holders thereof.

SECTION 3.14 CUSIP Numbers. The Agency in issuing the Bonds may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such redemption shall not be affected

by any defect in or omission of such numbers. The Agency will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE IV
APPLICATION OF BOND PROCEEDS

SECTION 4.01 Application of Bond Proceeds. Upon receipt by the Trustee of the original proceeds of the sale and delivery of a Series of Bonds, such proceeds shall be deposited as specified in the Applicable Series Supplemental Indenture authorizing such Series of Bonds.

ARTICLE V
CUSTODY AND INVESTMENT OF FUNDS

SECTION 5.01 Creation of Funds and Accounts. (a) The Agency hereby establishes and creates the following special trust Funds (and authorizes the creation of the following Accounts comprising such Funds):

(i) Project Fund

(1) Construction Account

(2) Capitalized Interest Account

(ii) Bond Fund

(1) Principal Account

(2) Interest Account

(3) Redemption Account

(4) Sinking Fund Installment Account

(iii) Rebate Fund

(iv) Lease Payments Fund

(v) Debt Service Reserve Fund

(vi) Mortgage Reserve Fund

(1) Foreclosure Payment Account

(b) All of the Funds and Accounts created hereunder shall be held by the Trustee, or in one or more depositories in trust for the Trustee. All moneys and investments deposited with or in trust for the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for the purposes of the Indenture.

(c) Accounts and Subaccounts (including Accounts and Subaccounts relating to a Credit Facility or relating to the tender and purchase of bonds) within each of the foregoing funds may from time to time be established in accordance with any Series Supplemental Indenture, as the Agency or the Trustee may (in consultation with the Lessee) deem necessary or desirable with respect to each Series of Bonds. All moneys at any time deposited in any fund created hereby or under any other account held hereunder or under any Series Supplemental Indenture with respect to the Bonds, other than the Rebate Fund or Bond Purchase Fund, shall be held in trust for the benefit of the Holders of the Bonds (except that any amounts held in any Account of the Debt Service Reserve Fund shall be held solely as security for the Series of Bonds secured by such Debt Service Reserve Account), but shall nevertheless be disbursed, allocated and applied for the uses and purposes provided herein and in any Series Supplemental Indenture. Upon the issuance of a Series of Bonds the Trustee shall, if the Debt Service Reserve Account Requirement for such Series of Bonds is established by any Series Supplemental Indenture to be an amount greater than zero dollars ($0), establish a separate Account within the Debt Service Reserve Fund with respect to such Series of Bonds.

SECTION 5.02 Project Fund. (a) As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the appropriate Account in the Project Fund the amount required to be deposited therein pursuant to the Applicable Series Supplemental Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided herein. The Trustee shall apply the amounts in each Construction Account of the Project Fund to the payment of Project Costs, or reimbursement of Project Costs to the extent the same have been paid by or on behalf of the Lessee (as agent of the Agency) or the Agency. The Trustee shall apply any amounts held in each Applicable Capitalized Interest Account in accordance with subsection (f) of this Section 5.02.

(b) The Trustee is hereby authorized to disburse from each Construction Account (as designated by the Lessee pursuant to a requisition submitted hereunder) of the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks, or, at the request of the Lessee (as agent of the Agency) or the Agency, to wire funds, for each disbursement from each Construction Account of the Project Fund, upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Lessee (as agent of the Agency). The Trustee will not be required to issue such disbursement sooner than five (5) Business Days after the submission of such requisition. Such requisition shall be substantially as set forth in the Form of Requisition attached hereto as Appendix B. Each such requisition shall be accompanied by bills or invoices (stamped "paid" if reimbursement is to be made to the Lessee) supporting Project Costs to which such requisition pertains. The Trustee shall be entitled to conclusively rely on such requisition. The Trustee shall keep and maintain adequate records pertaining to each Construction Account of the Project Fund and all disbursements therefrom.

(c) The Trustee shall on written request furnish to the Agency and the Lessee a written statement of disbursements from the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills or invoices submitted to the Trustee for such disbursement.

(d) The completion of the Project shall be evidenced as set forth in Section 2.2 of the IDA Lease Agreement. Upon such completion, the balance in each Construction Account of the Project Fund in excess of the amount, if any, stated in the completion certificate referred to in Section 2.2 of the IDA Lease Agreement for the payment of any remaining part of the costs of the Project Costs relating to the Project shall, at the written direction of the Lessee, (i) be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption at the earliest date permissible under the Indenture provided that, prior to such application, a Favorable Opinion of Bond Counsel shall be received and (ii) be invested at a yield not in excess of the Applicable Bond Yield (as defined in the Applicable Tax Certificate); provided, however, the Lessee, on behalf of the Agency, may apply such balance to any other lawful purpose under the Act in connection with the Facility, provided that a Favorable Opinion of Bond Counsel is received by the Trustee and the Agency prior to such use.

(e) In the event the Lessee shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the IDA Lease Agreement or the Indenture, the balance in each of the Construction Accounts of the Project Fund (in excess of any amount that the Trustee is directed to transfer to the Rebate Fund pursuant to each Applicable Tax Certificate and Section 5.08 hereof) shall be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default hereunder, the balance in the Project Fund shall be deposited ratably and equally into each of the Interest Accounts and Principal Accounts held under the Bond Fund and shall be applied as provided in Section 8.03 hereof.

(f) Proceeds of Bonds deposited in any Capitalized Interest Account shall be applied as follows:

(i) prior to the completion of the Project, on each Interest Payment Date for a Series of Bonds amounts in the Applicable Capitalized Interest Account shall first be deposited in the Lease Payments Fund to the extent moneys in such fund are insufficient to meet principal and/or interest payments then due and owing under the Indenture with respect to the related Series of Bonds and second, be drawn by the Trustee at the direction of the Lessee (as agent for the Agency) for the payment of Project Costs, if any;

(ii) on or after the Interest Payment Date for each Series of Bonds next succeeding the date of completion of the Project, the moneys remaining in the Applicable Capitalized Interest Account shall at the direction of the Lessee be applied pursuant to the provisions of Section 5.02(d) hereof; and

(iii) At any time prior to the completion of the Project, upon the written request of the Lessee and designation in writing of a certain amount by the Lessee, the Trustee will transfer such amounts from each Capitalized Interest Account to one or more Construction Accounts as specified by the Lessee and apply such amounts as provided in paragraphs (b), (d) and (e) above.

SECTION 5.03 [RESERVED].

SECTION 5.04 Lease Payments Fund. (a) The Trustee shall deposit in the Lease Payments Fund the amounts so stated to be deposited therein pursuant to the IDA Lease Agreement, the Indenture or the Applicable Series Supplemental Indenture.

(b) Except as provided in Section 5.04(d) hereof, on or before any Interest Payment Date relating to a Series of Bonds the Trustee shall transfer to the Applicable Principal Account, Interest Account, Redemption Account, and/or Sinking Fund Installment Account from the Lease Payments Fund an amount sufficient so that the payments required to be made from the Bond Fund pursuant to paragraphs (a), (b), (c) and (d) of Section 5.06 on such Interest Payment Date may be made.

(c) After making the payment described in paragraph (b), amounts, if any, remaining in the Lease Payments Fund shall be deposited equally and ratably to the credit of each Account held in the Debt Service Reserve Fund in an amount, if any, equal to the amount necessary to make the amount on deposit in such Accounts equal to the Applicable Debt Service Reserve Account Requirement and thereafter any remaining excess in the Lease Payments Fund shall be returned to the Lessee.

(d) During any period that any Series of Bonds shall bear interest at a Variable Interest Rate, and shall be secured by a Credit Facility relating to such Series of Bonds constituting a direct pay letter of credit, amounts held in the Lease Payments Fund after payment by the Credit Facility Provider of the amounts due under Section 5.06(a), (b) and (c), shall at the direction of the Lessee be applied to reimburse the provider of such Credit Facility for the payment of the principal, interest, or Redemption Price made on such Series of Bonds from drawing on such Credit Facility.

(e) If, on any Interest Payment Date relating to a Series of Bonds, any principal payment date or redemption date, as the case may be, the amount on deposit in the Lease Payments Fund or the Bond Fund is insufficient to make all payments with respect to the principal of, Sinking Fund Installments, and Redemption Price, if any of, and interest on such Series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Lessee and the Agency. Promptly upon receipt of such notice, the Lessee shall, as provided in Section 3.4(b) of the IDA Lease Agreement, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall deposit them in the Lease Payments Fund.

(f) If, on any Purchase Date, the amount on deposit in the Applicable Bond Purchase Fund relating to a Series of Bonds is insufficient to make all payments with respect to Purchase Price, if any, on such Series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Lessee and the Agency. Promptly upon receipt of such notice, the Lessee shall, as provided in Section 3.4(c) of the IDA Lease Agreement, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall

deposit them in the Applicable Lessee Payments Account established in the Applicable Bond Purchase Fund.

SECTION 5.05 Payments into Bond Fund. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Excess amounts in any Construction Account held in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Applicable Tax Certificate and Section 5.08 hereof) in the Applicable Redemption Account of the Bond Fund pursuant to Section 5.02(d) and to the first sentence of Section 5.02(e) hereof, which shall be kept segregated from any other moneys within such Account.

(b) [Reserved]

(c) Amounts transferred from the Lease Payments Fund to the Bond Fund pursuant to Section 5.04 hereof, which shall be deposited first to the Applicable Interest Account, in the amount required to make the payments described in Section 5.06(a) hereof, second to the Applicable Sinking Fund Installment Account, in the amount required to make the payments described in Section 5.06(c) hereof, third to the Applicable Principal Account, in the amount required to make the payments described in Section 5.06(b) hereof and fourth to the Applicable Redemption Account, in the amount required to make the payments described in Section 5.06(d) hereof. Advance rental payments received by the Trustee for deposit into the Lease Payments Fund pursuant to Section 3.4(e) of the IDA Lease Agreement shall be deposited in the Applicable Redemption Account.

(d) The excess amounts referred to in the third sentence of Section 5.06(d) hereof, which shall be credited to the Applicable Interest Account of the Bond Fund.

(e) Any amounts transferred from an Applicable Redemption Account pursuant to Section 5.06(h) hereof, which shall be deposited to the Applicable Interest Account, the Applicable Principal Account and the Applicable Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to the payment of the principal of and interest on the applicable Series of Bonds, as the case may be.

(f) All other receipts when and if required by the IDA Lease Agreement, by this Indenture, or by the Leasehold Mortgage (excluding any payment required to be made to the Port Authority under the PA Lease pursuant to the Leasehold Mortgagee's exercise of remedies thereunder, or by the Equipment Security Agreement, the Guaranty or any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in Section 8.03) to the Applicable Redemption Account of the Bond Fund.

SECTION 5.06 Application of Bond Fund. (a) The Trustee shall, on any Interest Payment Date with respect to a Series of Bonds, pay or cause to be paid to the respective Paying Agents therefor out of the Applicable Interest Account in the Bond Fund the interest due on such Series of Bonds and further pay out of the Applicable Interest Account of the Bond Fund any

amounts required for the payment of accrued interest upon any redemption (including any mandatory sinking fund redemption) of such Series of Bonds.

(b) The Trustee shall on each principal payment date with respect to a Series of Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Applicable Principal Account of the Bond Fund, the principal amount, if any, due on such Series of Bonds (other than such as shall be due by mandatory sinking fund redemption), upon the presentation and surrender (if applicable) of the requisite Bonds of such Series.

(c) There shall be paid from the Applicable Sinking Fund Installment Account of the Bond Fund to the respective Paying Agents on each sinking fund payment date for a Series of Bonds in immediately available funds the amounts required for such Sinking Fund Installment due and payable with respect to such Series of Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Applicable Interest Account of the Bond Fund), all as may be set forth in the applicable Series Supplemental Indenture. Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in Article VI hereof, Bonds of such Series for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Applicable Sinking Fund Account of the Bond Fund.

(d) Amounts in the Applicable Redemption Account of the Bond Fund established with respect to a Series of Bonds shall be applied, at the written direction of the Lessee, as promptly as practicable, to the redemption of such Series of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which such Bonds are next subject to redemption plus in each case accrued interest to the date of redemption. Any amount in the Applicable Redemption Account not so applied to the redemption of such Series of Bonds by thirty (30) days prior to the next date on which the Bonds are so redeemable shall be applied, subject to the provisions of Section 5.06(a) hereof, to the redemption of such Series of Bonds on such redemption date; provided that if such amount aggregates less than $100,000, such amount need not be then applied to such redemption. Any amounts deposited in such Applicable Redemption Account and not applied within twelve (12) months of their date of deposit to the redemption of, or as provided in paragraph (e) of this Section 5.06, the purchase of such Series of Bonds (except if held in accordance with Section 10.01 hereof) shall be transferred to the Applicable Interest Account. Upon the redemption of Bonds of a maturity of any Series, an amount equal to the principal of such Bonds so redeemed or an amount of Bonds purchased by the Lessee and surrendered for cancellation as provided in Section 5.06(e), (f) and (g) hereof shall, in the order designated by the Lessee, be credited against the next ensuing and future Sinking Fund Installments, if any, for that maturity of that Series of Bonds until the full principal amount of such Bonds so redeemed or purchased shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Bonds of any maturity of a Series to be redeemed shall be selected by the Trustee (at the written direction of the Lessee) in

the manner provided in Section 6.02 hereof. Amounts in any Applicable Redemption Account to be applied to the redemption of Bonds of a Series shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of such Series of Bonds being redeemed plus interest on such Bonds accrued to the redemption date.

(e) In lieu of Bonds of any maturity of a Series being redeemed through a mandatory sinking fund redemption, the Lessee, on behalf of the Agency, may negotiate or arrange for the purchase of Bonds of that maturity of such Series by the Trustee on behalf of the Agency in such manner (through brokers or otherwise, and with or without receiving tenders) as it shall in its discretion determine. The Lessee, on behalf of the Agency, shall cause such Bonds to be delivered to the Trustee for cancellation. The Trustee, upon presentation by the Lessee to the Trustee of Bonds of such Series to be purchased accompanied by a written request of an Authorized Representative of the Agency (given at the written direction of the Lessee) to the Trustee requesting payment therefor, shall provide monies for payment of the purchase price for any such Bonds from the moneys deposited in the Applicable Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the Applicable Interest Account of the Bond Fund. Bonds so purchased and delivered shall be canceled by the Trustee.

(f) The Agency shall receive a credit in respect of Sinking Fund Installments for any Bonds of a Series which are subject to mandatory sinking fund redemption and which are delivered by the Agency or the Lessee to the Trustee on or before the thirtieth (30th) day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the Applicable Sinking Fund Installment Account) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Bond of a Series so delivered, canceled or previously purchased or redeemed shall be credited by the Trustee at one hundred per cent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to such Series of Bonds, and the principal amount of such Series of Bonds to be redeemed by operation of the Applicable Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited to future Sinking Fund Installments in the manner directed by the Lessee, and the principal amount of such Series of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

(g) The Lessee shall on or before the thirtieth (30th) day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Lessee indicating whether or not and to what extent the provisions of this Section are to be availed of with respect to such Sinking Fund Installment payment relating to a Series of Bonds, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment relating to such Series of Bonds and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment relating to such Series of Bonds will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

(h) Moneys in the Applicable Redemption Account of the Bond Fund established with respect to a Series of Bonds which are not set aside or deposited for the redemption or purchase of such Series of Bonds shall be transferred by the Trustee to the Applicable Interest Account, to the Applicable Principal Account or to the Applicable Sinking Fund Installment Account of the Bond Fund.

SECTION 5.07 Debt Service Reserve Fund.

(a) (i) Within the Debt Service Reserve Fund there shall be created and held a separate Account for each Series of Bonds issued hereunder for which the Applicable Series Supplemental Indenture establishes a Debt Service Reserve Account Requirement greater than zero dollars ($0). The Trustee shall deposit to the credit of the Applicable Debt Service Reserve Fund Account for a Series of Bonds such proceeds of the sale of such Series of Bonds, if any, as shall be prescribed in the Applicable Series Supplemental Indenture, and any moneys as are delivered to the Trustee by the Lessee for the purposes of such Applicable Account of the Debt Service Reserve Fund.

(ii) In lieu of or in substitution for moneys the Lessee may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Account Requirement for such Series of Bonds; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association reasonably consented to by the Agency and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if the Bonds of such Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a Federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Bonds of such Series are not rated by Moody's and S&P, by whichever of said rating services that then rates such Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Account Requirement for a Series of Bonds unless the Trustee and each provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each provider of a Reserve Fund Facility to the effect that such Reserve Fund

Facility has been duly authorized, executed and delivered by the provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to such Reserve Fund Facility provider.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the applicable Account in the Debt Service Reserve Fund.

For the purposes of this Section and Section 5.10 hereof, in computing the amount on deposit in each Account of the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

(b) Moneys held for the credit of an Applicable Account of the Debt Service Reserve Fund for a Series of Bonds shall be withdrawn by the Trustee and deposited to the credit of the Applicable Interest Account, Principal Account, Redemption Account or Sinking Fund Installment Account of the Bond Fund at the times and in the amounts required to comply with the provisions of paragraphs (a), (b), (c) and (d) of Section 5.06 hereof with respect to such Series of Bonds; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Applicable Account of the Debt Service Reserve Fund and the amount required to be withdrawn from such Account of the Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of such Account of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the Interest Payment Date for the Series of Bonds for which such moneys are required.

(c) (i) If upon any valuation it is determined that the moneys and investments held for the credit of an Applicable Account of the Debt Service Reserve Fund are in excess of those necessary to maintain the Debt Service Reserve Account Requirement for the related Series of Bonds, an amount equal to such excess shall be withdrawn by the Trustee and deposited first ratably and equally to satisfy any deficiency then existing in any other Account held in the Debt Service Reserve Fund and second shall be deposited in the Bond Fund or, prior to completion of the Project, in the Applicable Construction Account in accordance with the direction of the Lessee; provided, however, that if such amount results from the substitution of a Reserve Fund Facility for any securities in such Applicable Account of the Debt Service Reserve Fund, such amount shall not be deposited in the Bond Fund or the Applicable Construction Account unless in the opinion of Bond Counsel such application will not adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes.

(ii) Notwithstanding the provisions hereof, if, upon any Bond of a Series having been deemed to have been paid in accordance with Section 10.01 hereof or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Account of the Debt Service Reserve Fund will exceed the Debt Service Reserve Account Requirement for the related Series of Bonds, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with Section 10.01 hereof, withdraw all or any portion of such excess from the Applicable Account of the Debt Service Reserve Fund upon the direction of an Authorized Representative of the Lessee and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on Bonds of such Series secured by said Account of the Debt Service Reserve Fund or to fund any reserve for the payment of the principal and Sinking Fund Installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bonds of such Series secured by said Account of the Debt Service Reserve Fund or (ii) pay such amount to the Applicable Construction Account if, in the opinion of Bond Counsel, application of such moneys to the payment of Project Costs will not adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Account of the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Account Requirement for such Series of Bonds.

(d) Except as otherwise provided in any Series Supplemental Indenture, the Trustee shall value each Account held in the Debt Service Reserve Fund at least ten days prior to each Interest Payment Date for the related Series of Bonds, upon the written request of the Lessee and upon a withdrawal from any Account of the Debt Service Reserve Fund pursuant to paragraph (c) (ii) of this Section 5.07. If upon a valuation, the aggregate of the moneys and investments held for the credit of any Account held in the Debt Service Reserve Fund is less than the Applicable Debt Service Reserve Account Requirement for the related Series of Bonds, the Trustee shall promptly notify the Agency and the Lessee of such deficiency and, except as otherwise provided in the Applicable Series Supplemental Indenture authorizing the Bonds secured by such Account of the Debt Service Reserve Fund, the Agency shall cause the Lessee to deliver to the Trustee moneys or investments the value of which is sufficient to increase the amount on deposit in such Account of the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Account Requirement for such Series of Bonds in accordance with Section 3.4(j) of the IDA Lease Agreement.

SECTION 5.08 Payments into Rebate Fund; Application of Rebate Fund. (a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, the Lessee or any Bondholder or any other Person.

(b) Deposits into the Rebate Fund shall be made pursuant to the Applicable Tax Certificate, the terms of which are incorporated by reference herein, and amounts on deposit in the Rebate Fund that are required to be paid to the United States Department of the Treasury pursuant to the Code shall be paid at the times and in the amounts set forth in or determined in accordance with the Applicable Tax Certificate.

SECTION 5.09 Direction Necessary for Transfers to Rebate Fund. The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from the Lessee to make such transfer.

SECTION 5.10 Investment of Funds and Accounts. (a) Amounts in the Rebate Fund, Lease Payments Fund, Bond Fund, Debt Service Reserve Fund, Project Fund and Mortgage Reserve Fund, may, if and only to the extent then permitted by law, be invested but only in Qualified Investments (except that moneys received from payments under a Credit Facility pursuant to a Series Supplemental Indenture shall be invested pursuant to the Applicable Credit Facility Agreement and any amounts held in any account established within the Bond Fund pursuant to Section 10.01 hereof shall be invested solely in Government Obligations). Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of any Series of Tax-Exempt Bonds shall be used, directly or indirectly, in such a manner as to cause any such Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the specific written request of an Authorized Representative of the Lessee. Except for amounts held in the Mortgage Reserve Fund, any investment hereunder shall be made in accordance with the Applicable Tax Certificate, and the Lessee shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund or Account in which such investment is held. Net income or gain received and collected from such investments shall be credited and losses charged to the applicable Fund or Account for which such investment shall have been made; provided, however, that such net income or gain shall be credited to (i) the Applicable Interest Account of the Bond Fund with respect to the investment of amounts held in the Applicable Interest Account, Principal Account, Redemption Account or Sinking Fund Installment Account of the Bond Fund, (ii) the Applicable Construction Account of the Project Fund with respect to the investment of amounts held in such Construction Account and in the Applicable Account of the Debt Service Reserve Fund until completion of the Project and the Applicable Redemption Account of the Bond Fund with respect to investments in such Construction Account of the Project Fund subsequent to completion of the Project and (iii) the Applicable Account of the Debt Service Reserve Fund with respect to the investment of amounts held in said Account of the Debt Service Reserve Fund after completion of the Project.

(b) At the written request of the Lessee and at least ten (10) days prior to each Interest Payment Date for a Series of Bonds, the Trustee shall notify the Lessee of the amount of such net investment income or gain received and collected subsequent to the last such rental payment under Section 3.4(a) of the IDA Lease Agreement with respect to such Series of Bonds and the amount then available in the various related Accounts of the Bond Fund and any amounts then available in the Lease Payments Fund.

(c) Upon the written direction of an Authorized Representative of the Lessee, the Trustee shall sell at the best price obtainable by it, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts to make any payments required to be made therefrom, or to

facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of this Article. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the Lessee.

(d) Neither the Trustee nor the Agency shall be liable for any loss, fee, tax or other charge arising from, or any depreciation in the value of, any obligations in which moneys of the Funds and Accounts shall be invested or in connection with any liquidation of an investment hereunder. The investments authorized by this Section 5.10 shall at all times be subject to the provisions of applicable law, as amended from time to time.

(e) Qualified Investments shall be valued at the market value of such investments, inclusive of accrued interest.

SECTION 5.11 Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account (except for the Rebate Fund or Bond Purchase Fund) under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and while held by the Trustee constitute part of the trust estate, and subject to the lien hereof (except that any amounts held in any Account of the Debt Service Reserve Fund shall be held solely as security for the Series of Bonds secured by such Account of the Debt Service Reserve Fund and moneys drawn from any Reserve Fund Facility will be held solely as security for the Series of Bond Secured by such Reserve Fund Facility).

SECTION 5.12 Repayment to the Lessee from the Funds. After payment in full of the Bonds in accordance with Section 10.01 hereof and the payment of all fees, charges and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid hereunder and under each of the Security Documents, and the payment of any amounts required to be paid to any Credit Facility Provider pursuant to any Credit Facility Agreement and the payment of any amounts which the Trustee is directed to rebate to the Federal government pursuant to the Indenture, all amounts remaining in the Rebate Fund (which are not required to be delivered to the United States government), Project Fund, Bond Fund, Lease Payments Fund or Debt Service Reserve Fund shall be paid to the Agency and paid by the Agency to the Lessee, as rebate of rental.

SECTION 5.13 Mortgage Reserve Fund.

(a) There shall be established hereunder a separate Mortgage Reserve Fund within which there shall be created a Foreclosure Payment Account. The Trustee shall deposit to the credit of the Foreclosure Payment Account any amounts provided by the Lessee pursuant to Section 6.17(f) of the IDA Lease Agreement.

(b) In lieu of or in substitution for Bond proceeds or moneys required to be deposited into the Mortgage Reserve Fund the Lessee may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for all or any portion of the Foreclosure Payment Account Requirement for the benefit of the Holders of the Bonds; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association reasonably consented

to by the Agency and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if the Bonds of such Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a Federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Bonds of such Series are not rated by Moody's and S&P, by whichever of said rating services that then rates such Bonds.

(c) In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Foreclosure Payment Account Requirement unless the Trustee and each provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to such Reserve Fund Facility provider.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Mortgage Reserve Fund.

For the purposes of this Section and Section 5.10 hereof, in computing the amount on deposit in the Mortgage Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

(d) [Reserved]

(e) Moneys, or any Reserve Fund Facility held in the Foreclosure Payment Account, shall be applied or drawn upon by the Trustee either (i) to pay the Port Authority any amounts due under Section 92 of the PA Lease (or any similar amounts to the City under the City-American Lease) or (ii) subsequent to a Notice of Termination, a Bonds Default or a Bankruptcy Rejection Date (as such terms are defined in Section 92 or any similar provision of the City-American Lease), in the event that the Trustee determines that it is not in the best

interest of the Bondholders to make the payments described in (i) above, or if the Trustee is so directed by Bondholders in accordance with the Indenture, amounts then held in the Foreclosure Payment Account may be used to pay debt service on the Bonds.

(f) [Reserved]

(g) The Trustee shall be obligated to value the Foreclosure Payment Account on the first day of each month. If upon a valuation, the total amount of the moneys and the principal amount of investments held for the credit of the Foreclosure Payment Account is less than the Foreclosure Payment Account Requirement, the Trustee shall promptly notify the Agency and the Lessee of such deficiency and, the Agency shall cause the Lessee to deliver to the Trustee moneys or investments the value of which is sufficient to increase the amount on deposit in such Foreclosure Payment Account to an amount equal to the Foreclosure Payment Account Requirement. If upon any such valuation it is determined that the moneys and investments held for the credit of the Foreclosure Payment Account are in excess of those necessary to maintain the Foreclosure Payment Account Requirement, an amount equal to such excess shall first be applied ratably and equally to satisfy any deficiency then existing in any Account held in the Debt Service Reserve Fund and second be withdrawn by the Trustee and paid to the Lessee.

(h) Any monies remaining in the Mortgage Reserve Fund after repayment of the Bonds shall be paid to the Lessee free and clear of the lien of this Indenture. Any Reserve Fund Facility on deposit in the Mortgage Reserve Fund after repayment of the Bonds shall be surrendered to the issuer thereof for cancellation.

(i) With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys as required hereunder.

ARTICLE VI
REDEMPTION OF BONDS

SECTION 6.01 Privilege of Redemption and Redemption Price. Bonds of a Series or portions thereof subject to redemption prior to maturity shall be redeemable, upon mailed notice as provided in this Article, at the times, at the Redemption Prices and upon such terms in addition to and consistent with the terms contained in this Article as shall be specified in the Series Supplemental Indenture authorizing the issuance thereof and in said Bonds.

SECTION 6.02 Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that Bonds of a Series and maturity to be redeemed from Sinking Fund Installments shall be selected by lot. In the event of the redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Bonds to be redeemed shall be applied to the maturities as directed by the

Lessee. The portion of any Bond to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting a Bond for redemption in part, the Trustee shall treat that Bond as representing that number of Bonds that is obtained by dividing the principal amount of such registered Bond by the minimum denomination (referred to below as a "unit") then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of the same Series and maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

SECTION 6.03 Notice of Redemption. Unless a Supplemental Indenture provides otherwise with respect to a Series of Bonds, this Section shall govern redemption notices for all Bonds. When the redemption of any Bonds of a Series is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Agency, specifying the Series, CUSIP number, Bond numbers, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Bonds of such Series or portions thereof to be redeemed, the redemption date, the Redemption Price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Bonds of such Series or portions thereof to be payable and, if less than all of the Bonds of a Series of any maturity are to be redeemed, the numbers of such Bonds of such Series or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond of such Series or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee, in the name and on behalf of the Agency, (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than 45 nor less than 30 days prior to the date fixed for redemption of such Series of Bonds, to the registered owners of any Bonds of such Series that are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of Bonds of a Series with respect to which proper mailing was effected; and (ii) shall cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices and shall cause notice of such redemption to be sent the Applicable Credit Facility Provider relating to such Series of Bonds provided such Credit Facility Provider shall have given its address to the Trustee. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means

selected by the Trustee in its discretion. If any Bond of a Series shall not be presented for payment of the Redemption Price within sixty (60) days of the redemption date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any notice of optional redemption may provide that the redemption of Bonds described therein is conditioned upon receipt by the Trustee, on or before the date fixed for redemption, of sufficient funds to pay the Redemption Price of the Bonds to be redeemed and such notice shall be of no effect if moneys sufficient to pay the Redemption Price of the Bonds to be redeemed have not been deposited with the Trustee on or before the date fixed for redemption. Any amounts held by the Trustee due to non-presentment of Bonds for payment on any redemption date shall be retained by the Trustee for a period of one year after the such redemption date and invested in overnight funds with the interest thereon credited to the Lessee in accordance with Section 5.10 hereof, and any such amounts still held after the expiration of such period after the payment of any amounts due and owing to any Credit Facility Provider shall then be remitted to the Lessee.

SECTION 6.04 Payment of Redeemed Bonds; Certain Consequences of Redemption and Defeasance. (a) Notice having been given in the manner provided in Section 6.03 hereof, the Bonds of a Series of or portions thereof so called for redemption (unless such call has been rescinded) shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to but not including the redemption date. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or any such Series or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. In such event, such call for redemption shall be rescinded, and notice of such rescission shall be furnished to affected Holders by the Trustee within sixty (60) days thereof.

(b) Payment of the Redemption Price plus interest accrued to the Redemption Date shall be made by check in any coin or currency of the United States of America, which, on the date of payment thereof, is legal tender for the payment of public or private debts to or upon the order of the registered owner only upon presentation of such Bonds for cancellation and exchange as provided in the notice of redemption given pursuant to Section 6.03 hereof or as may be provided in any Supplemental Indenture hereto; provided, however, that any Holder of at least $500,000 in aggregate principal amount of Bonds of a Series may, by written request to the Trustee, direct that payments of Redemption Price and accrued interest to the date of redemption be made by wire transfer in Federal funds at such wire transfer address as the owner shall specify to the Trustee in such written request.

(c) All Bonds of Series redeemed in full under the provisions of this Article shall forthwith be canceled and returned to the Agency and no Bonds of such Series shall be executed, authenticated or issued hereunder in exchange or substitution therefor, or for or in respect of any paid portion of such Series of Bonds.

(d) If all Bonds of any Series are redeemed in accordance herewith and any Series Supplemental Indenture and such Bonds have been paid in accordance with the provisions of Article X hereof, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability with respect to such Series, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price with respect thereto shall constitute full and complete payment and satisfaction to the Holders of the Bonds of such Series for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(e) If the lien of the Indenture has been defeased in accordance with Article X hereof prior to the occurrence of an event permitting or requiring redemption of a Series of Bonds, the affected Series of Bonds will not be subject to redemption with respect to any such event, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

ARTICLE VII
PARTICULAR COVENANTS

SECTION 7.01 Agency's Obligations Not to Create a Pecuniary Liability. Each and every covenant herein made, including all covenants made in the various sections of this Article VII, is predicated upon the condition that any obligation for the payment of money incurred by the Agency shall not create a debt of the State nor the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds and any other obligation for the payment of money incurred by the Agency hereunder shall not be payable out of any funds of the Agency other than those pledged therefor but shall be payable by the Agency solely from the amounts or Funds available to the Trustee and under any Credit Facility, if any, securing a particular Series of Bonds, the amounts payable by the Lessee under the IDA Lease Agreement pledged to the payment thereof in the manner and to the extent in the Indenture, amounts payable to the Trustee as Secured Party under the Equipment Security Agreement and amounts payable to the Leasehold Mortgagee under the Leasehold Mortgage, and nothing in the Bonds, in the IDA Lease Agreement, in the Indenture, in the Equipment Security Agreement or in any other Security Documents shall be considered as pledging any other funds or assets of the Agency.

SECTION 7.02 Payment of Principal and Interest. The Agency covenants that it will from the sources herein contemplated promptly pay or cause to be paid the principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on the Bonds, together with interest accrued to but not including the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installment, or Redemption Price, if any, of or interest on the Bonds or for any claim based thereon or hereunder against any such member, officer, director,

employee or agent or against any natural person executing the Bonds. Neither the Bonds, the Purchase Price, Sinking Fund Installment, or Redemption Price, if any, thereof or interest thereon, shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or any other Security Documents to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the lease rentals, revenues and receipts, rental income and other moneys held or derived from or in connection with the Facility and payable by the Lessee under the IDA Lease Agreement, as amended by any IDA Lease Amendment and pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

SECTION 7.03 Performance of Covenants; Authority. The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered hereunder and thereunder and in all proceedings pertaining hereto or thereto. The Agency covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute the Indenture, to lease the Facility pursuant to the IDA Lease Agreement, to assign the IDA Lease Agreement, to pledge the lease rentals, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds of a Series and the execution and delivery of the Indenture have been duly and effectively taken; and that each Series of Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Agency according to the import thereof.

SECTION 7.04 Books and Records; Certificate as to Defaults. The Agency and the Trustee each covenant and agree that proper books of record and account will be kept showing complete and correct entries of all transactions relating to the Project and the Facility, and that the Holders of any of the Bonds shall have the right at all reasonable times to inspect records, accounts and data relating thereto. In this regard, records furnished by the Agency and the Lessee to, or kept by, the Trustee in connection with its duties as such shall be deemed to be in compliance with the Agency's obligations under this Section 7.04. Within thirty (30) days after receiving the certificate from the Lessee as provided in Section 6.6(b) of the IDA Lease Agreement, the Trustee shall render to the Agency a statement that moneys received by the Trustee pursuant to the IDA Lease Agreement were applied by it to the payment of the principal, purchase price or Redemption Price, if any, of, Sinking Fund Installments, if any, for and interest on the Bonds, at the place, on the dates and in the manner provided in the Indenture and that the Trustee has no knowledge of any defaults under the Indenture or the IDA Lease Agreement or any Security Document or specifying the particulars of such defaults which may exist.

SECTION 7.05 IDA Lease Agreement. It is understood and agreed that the Facility will be leased to the Lessee under the IDA Lease Agreement and that pursuant to the Consent Agreement the Port Authority has consented to the IDA Lease Agreement and to the form of IDA Lease Amendments contained as an exhibit to the Consent Agreement. An executed copy of the IDA Lease Agreement and each IDA Lease Amendment and the Consent Agreement will be on file in the office of the Agency and in the principal corporate trust office of the Trustee. Reference is hereby made to the IDA Lease Agreement for a detailed statement of

the terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. Reference is hereby made to the Consent Agreement for a detailed statement of the terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. All covenants and obligations of the Lessee under the IDA Lease Agreement shall be enforceable either by the Agency or the Trustee, to whom, in its own name or in the name of the Agency, is hereby granted the right (to the extent herein provided therefore and subject to Section 9.05 hereof) to enforce all rights of the Agency and all obligations of the Lessee under the IDA Lease Agreement, whether or not the Agency is enforcing such rights and obligations provided however, that except for its rights as Leasehold Mortgagee under the Leasehold Mortgage, the Trustee shall have no Possessory Rights and Remedies with respect to the Leased Facilities. The Trustee shall take such action in respect of any matter as is provided to be taken by it in the IDA Lease Agreement upon compliance or noncompliance by the Lessee and the Agency with the provisions of the IDA Lease Agreement .

SECTION 7.06 Creation of Liens; Indebtedness; Sale of Facility. The Agency shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the revenues and rental income derived from or in connection with the Facility and assigned to the Trustee under the Indenture, except the lien, charge and pledge created by Indenture, the Equipment Security Agreement, and the IDA Lease Agreement. The Agency further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Facility or any part thereof except as specifically permitted under the Indenture, any Series Supplemental Indenture, the Equipment Security Agreement, or the IDA Lease Agreement.

SECTION 7.07 Instruments of Further Assurance. The Agency covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such Series Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property described herein subject to the lien, pledge and security interest of the Indenture and in the Leasehold Mortgage and the lease rentals, revenues and receipts pledged hereby to the payment of the principal, Purchase Price or Redemption Price, if any, of and interest on any Series of Bonds. The Agency will not be required to take any action which would be inconsistent with the ATL, the RNDA, the City-American Lease, if any, the PA Lease or the Consent Agreement. The Agency may rely upon an Opinion of Counsel in making such determination.

SECTION 7.08 Recording and Filing. (a) The security interest of the Trustee created by the Indenture in the non-possessory rights and interests herein described, shall be perfected by the filing by the Agency in the office of the Secretary of State of the State of New York in the City of Albany, New York, and in the office of the New York County Register, of financing statements which fully comply with the New York Uniform Commercial Code - Article IX, Secured Transactions. Financing and continuation statements shall be filed and re-filed by the Trustee whenever pursuant to the New York Uniform Commercial Code - Article IX, Secured Transactions such action is necessary to preserve the lien and security interest hereof. Any such re-recordings, re-indexings, filings or re-filings shall be prepared by the Lessee and

accompanied with any fees or requisite charges. The Trustee will promptly notify the Lessee of any such filings.

The Lessee will, within ten (10) days after notice of any such filing, recording or other act, cause there to be furnished to the Agency and the Trustee an Opinion of Counsel as to the adequacy and reciting the details of such filing, recording or other act and specifying any re-recording, re-filing or other act to be effected in the future with respect to the Lease Agreement, the Indenture, any Security Document or financing statements.

(b) All costs (including reasonable attorneys' fees and expenses) incurred in connection with the effecting of the requirements specified in this Section shall be paid by the Lessee by way of additional rent under the IDA Lease Agreement.

SECTION 7.09 Records Held by the Trustee. Upon reasonable written request, the Trustee shall make available to the Lessee for its inspection during normal business hours, its records with respect to the Project and the Facility.

SECTION 7.10 Certain Acknowledgements. The Agency, the Trustee and each Bondholder (by the purchase and acceptance of a Bond) hereby acknowledge and agree that the IDA Lease Agreement and the Company Sublease are subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement, and the City-American Lease (upon the effectiveness thereof), and except with respect to the RNDA or except upon the effectiveness of the City-American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided, however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement including under Sections 3.4 or 3.8 of the IDA Lease Agreement, or release the Lessee or AMR from its guaranty obligations under the Guaranty.

SECTION 7.11 Trustee's Obligations under the IDA Lease Agreement and Leasehold Mortgage. (a) The Trustee shall perform the actions contemplated to be taken by it under Section 6.17(i) of the IDA Lease Agreement with respect to recording of the Leasehold Mortgage.

(b) Upon receipt by the Trustee as Leasehold Mortgagee of the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee fully executed in the form of Exhibit P to the Consent Agreement, the Trustee shall in reliance thereon and within five (5) business days of its receipt of the same notify the City in the manner set forth in Section 13.03 that the Reletting Rights Effective Date has occurred.

(c) Upon the occurrence of a RNDA Effective Date the Trustee together with the Agency, AMR and the Lessee shall in accordance with Section 2 of the RNDA execute and deliver to the City an agreement in recordable form reasonably necessary and appropriate to evidence the Consent Protections.

ARTICLE VIII
EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

SECTION 8.01 Events of Default; Acceleration of Due Date.

(a) Each of the following events is hereby defined as and shall constitute an "Event of Default" hereunder:

(i) Failure in the payment of the interest on any Bond when the same shall become due and payable and, if no Credit Facility is in effect with respect to such Bond, the continuation of such failure for (5) Business Days;

(ii) Failure in the payment of the principal or Redemption Price, if any, of, or Sinking Fund Installment for, any Bond, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon and, if no Credit Facility is in effect with respect to such Bond, the continuation of such failure for (5) Business Days;

(iii) Failure to duly and punctually pay the Purchase Price of any Bond tendered or deemed tendered for purchase pursuant to a Series Supplemental Indenture;

(iv) Failure of the Agency to observe or perform any covenant, condition or agreement in any Bonds or under the Indenture on its part to be performed (except as set forth in Section 8.01(a)(i), (ii) or (iii) hereof) and (A) continuance of such failure for a period of sixty (60) days after receipt by the Agency and the Lessee of written notice specifying the nature of such default from the Trustee or the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said sixty (60) days, the Agency or the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(v) The occurrence of an "Event of Default" under the IDA Lease Agreement or the occurrence of an event of default under the Guaranty or the Leasehold Mortgage;

(vi) The occurrence of an Act of Bankruptcy; provided, that with respect to the filing of an involuntary petition in bankruptcy or other commencement of a bankruptcy or similar proceeding against the Lessee or the Guarantor, such petition or proceeding shall remain undismissed or unstayed for ninety (90) days; or

(vii) (A) The date of termination of the PA Lease as set forth in the notice from the Port Authority to the Trustee pursuant to Section 92(l) of the PA Lease to the effect that the Port Authority will terminate the PA Lease pursuant to Section 20 thereof or (B) the date of termination of the City-American Lease as set forth on a notice from the City to the Trustee in accordance with the City-American Lease to the effect that the City will terminate the City-American Lease pursuant to the provisions thereof; provided however, such termination of

the City-American Lease shall not result in an Event of Default hereunder if the Lessee is reinstated as or becomes tenant as described in Section 94(c)(1) of the Port Authority Lease; or

(viii) Receipt by the Leasehold Mortgagee of one or more Information Statements under the PA Lease showing that said total unpaid amount exceeds Nine Million Eight Hundred Seventy Seven Thousand Dollars and no cents ($9,877,000.00) and failure of the Lessee to pay said amount in accordance with Section 92(m) of the PA Lease within twenty (20) days after notice of the same from the Leasehold Mortgagee.

(b) Upon the happening and continuance of an Event of Default under subsections (iv), (v), or (viii) the Trustee may, or at the direction of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Agency, the Lessee and the Guarantor) the Trustee shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Indenture or in any of such Bonds to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and the principal installments of rent payable under Section 3.4 of the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall also become and be immediately due and payable and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, the Bonds then due and payable.

(c) Upon the happening of any Event of Default specified in Section 8.01(i), (ii), (iii), or (vii), the Trustee shall immediately declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Indenture or in any of such Bonds to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and principal installments of rent payable under Section 3.4 of the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall become immediately due and payable and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof, in an amount equal to the principal of, and accrued interest on, the Bonds secured thereby then due and payable. Upon the occurrence and continuance of such Event of Default pursuant to Section 8.01(a)(vii), the Agency or the Trustee shall terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein granted or vested in the Lessee shall cease and terminate.

(d) If there shall occur an Event of Default under Section 8.01(a)(vi) above the unpaid principal of all the Bonds Outstanding and the interest accrued thereon (and all installments of rent under the IDA Lease Agreement) shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person, and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, the Bonds secured thereby then due and payable.

(e) The right of the Trustee or of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed have been paid by or for the account of the Agency, and all other Events of Default with respect to such Bonds have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Agency or provision satisfactory to the Trustee shall be made for such payment and if the Bonds so in default are secured by a Credit Facility, the Credit Facility Provider thereof shall have confirmed in writing that the Credit Facility has been fully reinstated (except as to any Bonds held as Bank Bonds by such Credit Facility Provider for the account of the Lessee) and shall provide to the Trustee its written consent and rescissions of such default, and all defaults with respect to the Bonds have been otherwise remedied as provided in this Article VIII, then in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon; provided, however, that if the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall have directed such declaration of acceleration, the Trustee shall not annul such declaration and its consequences without the prior consent of the Holders of greater than fifty per centum (50%) in aggregate principal amount of the Bonds Outstanding.

(f) Pursuant to the IDA Lease Agreement the Agency has granted to the Lessee full authority for the account of the Agency to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Lessee to constitute a default hereunder, in the name and stead of the Agency with full power to do any and all things and acts to the same extent that the Agency could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Lessee as performance by the Agency.

SECTION 8.02 Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, provided that the Trustee has delivered the notice required by Section 8.10, then and in every case the Trustee may proceed, and upon the written request of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce the rights of the Bondholders and its rights under the Act, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement and under any other of the Security Documents forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other of the Security Documents or in aid of the execution of any power granted in, but solely as provided in, the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement or in any other of the Security Documents or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other of the Security Documents. In addition to any rights or remedies available to the Trustee hereunder or

elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

(b) In the enforcement of any right or remedy with respect to the Bonds under the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement or any other of the Security Documents, the Bonds or under the Act, the Trustee shall be entitled to, and shall sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Agency or from the Lessee relating to interest, principal, Purchase Price, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, the Leasehold Mortgage, the Equipment Security Agreement, the Guaranty or under any such other of the Security Documents and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Agency, but solely as provided in the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Lessee, any of the other obligors under any other of the Security Documents, the Agency or their creditors or property.

(c) Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with security and indemnity satisfactory to it, shall institute and maintain such suits and proceedings with respect to the Bonds as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture, the Guaranty, the Equipment Security Agreement, the Leasehold Mortgage or under any other Security Documents by any acts which may be unlawful or in violation of the Indenture, the Equipment Security Agreement, the Guaranty, the Leasehold Mortgage or under any other of the Security Documents or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture.

(d) No action taken pursuant to this Article VIII shall be inconsistent or contrary to the terms and provisions of Section 8.12 hereof.

SECTION 8.03 Application of Revenues and Other Moneys After Default.

(a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article under the Equipment Security Agreement, the Guaranty

or the Leasehold Mortgage or under any other Security Documents shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to Section 9.04, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First - To the payment to the persons entitled thereto of all installments of interest then due on such Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the Bonds or principal installments due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon such Bonds and, if applicable, to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(3) If the principal of all the Bonds and interest thereon shall have been declared due and payable, and if such declaration shall thereafter shall have been rescinded and annulled under the provisions of this Article VIII, then, subject to the provisions of Section 8.03(a) (2) hereof which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of Section 8.03(a) (1) hereof.

Notwithstanding the foregoing provisions, amounts drawn under any Credit Facility held hereunder with respect to a particular Series of Bonds shall be applied solely to the payments amounts due on such Series of Bonds secured by such Credit Facility.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds with respect to a Series of Bonds, it shall fix the date (which shall be an Interest Payment Date for such Series of Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; provided, however, that if the principal or Redemption Price of all of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to Section 8.01 hereof, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

SECTION 8.04 Actions by Trustee. All rights of action under the Indenture, under the Leasehold Mortgage, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of Section 8.03 hereof, be for the equal benefit of the Holders of the Outstanding Bonds.

SECTION 8.05 Majority Bondholders Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided, further, if Bonds of a Series are secured by a Credit Facility, for so long as such Applicable Credit Facility is outstanding and no default specified in subsections 8.01(a)(i), (ii), or (iii) has occurred and is continuing with respect to such Bonds, the Applicable Credit Facility Provider shall have the right to direct all proceedings on behalf of the holders of the Bonds of such Series secured thereby and to vote the Bonds of such Series secured thereby for all purposes hereunder.

SECTION 8.06 Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Documents with respect to such Bond or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Documents, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in this Article, and the Holders of at least twenty-five per centum (25%) in aggregate principal amount

of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or such other Security Documents or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby (other than costs, expenses and liabilities related to acceleration), and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of Section 8.03 hereof, be for the equal benefit of all Holders of the Outstanding Bonds.

(b) Nothing contained in the Indenture, in any other Security Document or in the Bonds shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner herein and in said Bonds expressed.

SECTION 8.07 Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

SECTION 8.08 Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

SECTION 8.09 Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein: and every power and remedy given by this Article to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

SECTION 8.10 Notice of Default. The Trustee shall promptly mail to the Agency, to registered Holders of Bonds and to the Lessee, the Guarantor and each Applicable Credit Facility Provider, if any, by first class mail, postage prepaid, written notice of the occurrence of

any (i) Event of Default with respect to the Bonds and (ii) the receipt by the Trustee as mortgagee under the Leasehold Mortgage of a Notice of Termination pursuant to and as defined in Section 92(a) of the PA Lease as amended or any similar notice of termination of or default under the City-American Lease or the ATL. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this Section.

SECTION 8.11 Waivers of Default. The Trustee shall waive any default hereunder and its consequences and rescind any declaration of acceleration upon the written request of the Holders of greater than 50% in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of Holders of all the Bonds Outstanding (a) any default in the payment of the principal, Purchase Price or Redemption Price of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal, Purchase Price and Redemption Price with respect to such Bonds when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 8.12 Limitation of Remedies. The Agency and the Trustee hereby represent to and agree with the Port Authority that (a) the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement and (b) neither the Agency, nor the Bondholders, nor the Trustee (except as Leasehold Mortgagee under or pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Lessee, the Agency and the Trustee hereby represent to and agree with the Port Authority that neither they nor the Bondholders shall have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies under or pursuant to the Leasehold Mortgage or Section 92).

In addition to and without limiting the foregoing, the Trustee and each Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92, Section 92 shall govern.

ARTICLE IX
TRUSTEE AND PAYING AGENTS

SECTION 9.01 Appointment and Acceptance of Duties. (a) The Bank of New York, New York, New York is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations of the Trustee hereunder and under each Security Document by executing this Master Indenture and each Applicable Series Supplemental Indenture and agrees to perform said trusts as a corporate trustee ordinarily would under a corporate mortgage subject to the express terms and conditions herein. All provisions of this Article IX shall be construed as extending to and including all the rights, duties and obligations imposed upon the Trustee under the IDA Lease Agreement, under each Tax Certificate and under any other Security Document to which it shall be a party as fully for all intents and purposes as if this Article IX were contained in the IDA Lease Agreement, such Tax Certificate and each such other Security Document.

(b) The Bank of New York, New York, New York is hereby appointed as Paying Agent for the Bonds. The Agency may also from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 9.09 for the appointment of a successor Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency, and in the case of all Paying Agents other than the Trustee, to the Trustee a written acceptance thereof. The principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal or Redemption Price, if any, of Sinking Fund Installments for, and interest on, the Bonds.

SECTION 9.02 Indemnity. The Trustee, in its capacity as the Trustee, the Paying Agent or the Bond Registrar, shall be under no obligation to institute any suit, or to take any remedial action under the Indenture (other than accelerating the Bonds when required by the Indenture), or under any other Security Documents or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Indenture, or under any other Security Documents, until it shall be indemnified to its satisfaction against any and all reasonable expenses for services, costs, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or negligence; provided, however, that the Trustee shall nevertheless be obligated to make payments (from the sources herein specified) on the Bonds when due in the Indenture, all at the times and in the manner specified in the Indenture.

SECTION 9.03 Responsibilities of Trustee. (a) The Trustee shall have no responsibility in respect of the validity or sufficiency of the Indenture or of any other Security Document or the security provided hereunder or thereunder or the due execution of the Indenture by the Agency, or the due execution of any other Security Document by any party (other than the

Trustee) thereto, or in respect of the title or the value of the Facility, or in respect of the validity of the Bonds authenticated and delivered by the Trustee in accordance with the Indenture or to see to the recording or filing of the Indenture or any other document or instrument whatsoever except as otherwise provided in Section 7.08. The recitals, statements and representations contained in the Indenture and in the Bonds shall be taken and be construed as made by and on the part of the Agency and not by the Trustee, and the Trustee does not assume any responsibility for the correctness of the same; provided, however, that the Trustee shall be responsible for its representation contained in its certificate on the Bonds and for its responsibility as to filing, refiling, recording and re-recording as contained in Section 7.08 referred to above.

(b) The Trustee shall not be liable or responsible because of the failure of the Agency to perform any act required of it by the Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depositary other than itself in which such moneys shall have been deposited under the Indenture or the any Tax Certificate. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the Indenture or any Tax Certificate or for any loss, fee, tax or other charge resulting from any such investment, reimbursement or liquidation of an investment. The Trustee shall not be liable in connection with the performance of its duties under the IDA Lease Agreement, under the Indenture or under any other Security Document except for its own willful misconduct or negligence. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees, agents and servants and persons under the Trustee's control or supervision.

(c) The Trustee, prior to the occurrence of an Event of Default (as defined in Section 8.01) and after curing of all Events of Default which may have occurred, if any, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

(d) The Trustee shall not be liable or responsible for the failure of the Lessee to effect or maintain insurance on the Facility as provided in the IDA Lease Agreement nor shall it be responsible for any loss by reason of want or insufficiency in insurance or by reason of the failure of any insurer in which the insurance is carried to pay the full amount of any loss against which it may have insured the Agency, the Lessee, the Trustee or any other Person.

(e) The Trustee shall execute (without the necessity of obtaining the signature of the Lessee) and cause to be filed those continuation statements, any additional financing statements and all other instruments required by it by Section 7.08 hereof.

(f) The Trustee shall on the same date as it shall render the statement required of it by Section 7.04 of the Indenture, make annual reports to the Agency, the Lessee, the Guarantor, any Credit Facility Provider and the Bondholders of all moneys received and

expended during the preceding year by it under the Indenture and of any Event of Default known to it under the IDA Lease Agreement or the Indenture or under any other Security Document.

(g) In performing its duties and obligations under each Tax Certificate, the Trustee shall not be required to make any payment of a Rebate Requirement or any transfer of funds or take any other action required to be taken thereunder except upon the receipt of a written certificate of direction of an Authorized Representative of the Lessee delivered to the Trustee in accordance with the terms of such Tax Certificate. Notwithstanding any provision of a Tax Certificate or any other Security Document, nothing in any Tax Certificate, either expressed or implied, shall be deemed to impose upon the Trustee any responsibility for the legal sufficiency of such Tax Certificate to effect compliance with the Code.

(h) Subject to subsection (b) above, if consent of the Trustee is required under the Indenture, the IDA Lease Agreement, the Leasehold Mortgage, the Guaranty or any other Security Document to consent to any action or event, the Trustee may, but shall not be obligated to, solicit consents therefor in accordance with Section 13.01 hereof from Holders of the Bonds and shall not be in any way obligated to consent to any such action or event without the prior consent of a majority of the Holders of such Bonds.

(i) The Trustee may consult with counsel of its selection chosen with due care and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(j) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 9.04 Compensation. The Trustee and Paying Agents shall be entitled to receive and collect from the Lessee as provided in the IDA Lease Agreement payment or reimbursement for its agreed upon fees for services rendered hereunder and under each other Security Document and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee or Paying Agents in connection therewith. Upon an Event of Default (as defined in Section 8.01), but only upon an Event of Default, the Trustee and Paying Agents shall have a first right of payment prior to payment of rent in respect of the principal of or interest on any Bonds, upon the revenues (but not including any amounts held by the Trustee under Section 10.01, any amounts required to satisfy amounts due under Section 4.3 of the IDA Lease Agreement or any amounts drawn under a Credit Facility, or a Reserve Fund Facility) for the foregoing advances, fees, costs and expenses incurred. The provisions of this Section shall survive the termination of the Indenture.

SECTION 9.05 Evidence on Which Trustee May Act. (a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which the Indenture provides for permitting or taking any action, it may conclusively rely upon any certificate required or permitted to be filed with it under the

provisions of the Indenture, and any such certificate shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact.

(b) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of the Indenture, or, at the sole cost and expense of the Lessee, and when determined necessary in the reasonable discretion of the Trustee, upon the written opinion of any attorney (who may be an attorney for the Agency or an employee of the Lessee), engineer, appraiser, architect or accountant believed by the Trustee to be qualified in relation to the subject matter.

SECTION 9.06 Trustee and Paying Agents May Deal in Bonds. Any national banking association, bank or trust company acting as a Trustee or Paying Agent, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if such association, bank or trust company were not such Trustee or Paying Agent.

SECTION 9.07 Resignation or Removal of Trustee. The Trustee may resign and thereby become discharged from the trusts created under the Indenture for any reason by giving written notice by registered or certified mail, postage prepaid, to the Agency, to the Lessee and to the Holders of all Bonds not less than sixty (60) days before such resignation is to take effect, but such resignation shall not take effect until the appointment and acceptance thereof of a successor Trustee pursuant to Section 9.08 hereof.

The Trustee may be removed at any time by an instrument in writing filed with the Trustee and signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. Such removal shall become effective either upon the appointment and acceptance of such appointment by a successor Trustee or at the date specified in the instrument of removal. The Trustee shall promptly give notice of such filing to the Agency and the Lessee.

SECTION 9.08 Successor Trustee. (a) If at any time the Trustee shall resign or shall be removed effective prior to appointment and acceptance of a successor Trustee, be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason or if the Trustee shall resign, the Lessee shall cooperate with the Agency and the Agency shall, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, appoint a successor Trustee and shall use its best efforts to obtain acceptance of such trust by the successor Trustee within (60) days from such vacancy or notice of resignation. Within twenty (20) days after such

appointment and acceptance, the Agency shall notify in writing the Lessee and the Holders of all Bonds.

(b) In the event of any such vacancy or resignation and if a successor Trustee shall not have been appointed within sixty (60) days of such vacancy or notice of resignation, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Agency may appoint a successor Trustee which shall, immediately upon its acceptance of such trusts, and without further act, supersede the predecessor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of subsection (a) or (b), within 90 days of such vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Agency or any retiring trustee or the Lessee may apply, at the expense of the Lessee, to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, and after providing such further notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under this Section shall be a national banking association or a bank or trust company, duly organized under the laws of any state of the United States authorized to exercise corporate trust powers under the laws of the State and authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document. At the time of its appointment, any Successor Trustee shall have a capital stock and surplus aggregating not less than $40,000,000.

(d) Every successor Trustee shall execute, acknowledge and deliver to its predecessors and also to the Agency an instrument in writing accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor, with like effect as if originally named as such Trustee; but such predecessor shall, nevertheless, on the written request of its successor or of the Agency, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to Section 9.04, execute and deliver an instrument transferring to such successor Trustee all the estate, properties, rights, immunities, powers and trusts of such predecessor; and every predecessor Trustee shall deliver all property and moneys, together with a full accounting thereof, held by it under the Indenture to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such Trustee the estate, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall, on request, be executed, acknowledged and delivered by the Agency. Any successor Trustee shall promptly notify the Agency, the Lessee and the Paying Agent of its appointment as Trustee.

(e) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or

consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States and shall be authorized by law and its charter to perform all the duties imposed upon it by the Indenture, and each other Security Document, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

(f) Notwithstanding the provisions hereof regarding prior notice to the Port Authority of the appointment of a Successor Trustee, the consent of the Port Authority shall not be required for the appointment of a Successor Trustee hereunder.

(g) Simultaneously with its appointment as a Successor Trustee hereunder, each Successor Trustee shall be required to acknowledge and consent to the Consent Agreement.

SECTION 9.09 Resignation or Removal of Paying Agent; Successor. (a) Any Paying Agent may at any time resign and effect the discharge of the duties and obligations created by the Indenture by giving at least sixty (60) days' prior written notice to the Agency, the Lessee and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Agency. Any successor Paying Agent shall be appointed by the Agency, with the prior written approvals of the Trustee and the Lessee (such approvals not to be unreasonably withheld), and shall be a commercial bank or trust company duly organized under the laws of any state of the United States of America or a national banking association, having a capital stock and surplus aggregating at least $40,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law and its charter to perform all the duties imposed upon it by the Indenture.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successors, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

SECTION 9.10 Appointment of Co-Trustee. (a) It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture or under any other Security Document, and in particular in case of the enforcement of any default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee (with the prior written consent of the Agency) appoint an additional institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

(b) In the event that the Trustee appoints an additional institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in

such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such co-trustee may be removed by the Trustee at any time, with or without cause.

(c) Should any instrument in writing from the Agency be required by the separate trustee or co-trustee so appointed or removed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

(d) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(e) The Port Authority shall be provided at least forty-five (45) days prior written notice of the appointment of a Co-Trustee hereunder. Notwithstanding the foregoing, the Consent Agreement of the Port Authority shall not be required for the appointment of a Co-Trustee hereunder.

ARTICLE X
DISCHARGE OF INDENTURE

SECTION 10.01 Defeasance. (a) Bonds of a Series will be deemed paid for all purposes of the Indenture when (x) the interest rate or interest rates in effect with respect to such Series of Bonds cannot by their terms and under the Applicable Series Supplemental Indenture be adjusted prior to the date on which such Series of Bonds are to be redeemed or their maturity date, if earlier, and such Series of Bonds are not subject to optional tender for purchase prior to the date on which such Bonds are to be redeemed or their maturity date, if earlier, (y) payment of the principal of and the maximum amount of interest that may become due on such Series of Bonds to the due date of such principal and interest, including all regularly scheduled interest payments (whether to maturity, upon redemption, acceleration or otherwise) either (i) has been made in accordance with the terms of such Series of Bonds or (ii) has been provided for by depositing with the Trustee in an account held in the Bond Fund by the Trustee (1) moneys sufficient to make such payment and/or (2) noncallable Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment without regard to the reinvestment thereof; and (z) all compensation and expenses of the Trustee (as well as the fees and expenses of its counsel) pertaining to the Bonds of such Series have been paid or provided to the satisfaction of the Trustee. When a Bond of a Series is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture except for payment from moneys or Government Obligations under

clause (y)(ii) above and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article III hereof.

Notwithstanding the foregoing, no deposit under clause (y)(ii) above shall be deemed a payment of a Bond of a Series until (A) notice of redemption of such Bond is given in accordance with Article VI hereof or in accordance with the Applicable Series Supplemental Indenture or, if the Bond is not to be redeemed or paid within the next 60 days, until the Lessee has given the Trustee, in form satisfactory to the Trustee, (i) irrevocable instructions to notify, as soon as practicable, the holder of the Bond of such Series, that the deposit required by clause (y)(ii) above has been made with the Trustee and that the Bond of such Series is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond of such Series, and (ii) in the event the amounts deposited pursuant to (y)(ii) above are to be invested in Government Obligations, a report or opinion addressed to the Trustee of an independent certified public accountant or firm of independent certified public accountants satisfactory to the Trustee to the effect that such deposit is an amount sufficient to effect such payment; or (B) the maturity of the Bond of such Series.

(b) When all Outstanding Bonds are deemed paid as provided in Section 10.01(a) above, and all fees and expenses and other amounts due and payable in respect thereof to the Trustee, the Agency and every Credit Facility Provider, if any, under the Indenture, the IDA Lease Agreement, the Equipment Security Agreement and each Credit Facility Agreement, if any, and any other amounts required to be paid to the United States government in accordance with each Tax Certificate or pursuant to the Indenture, shall be paid in full, then, subject to Section 10.01(c) below, the lien of the Leasehold Mortgage, the lien of the Equipment Security Agreement, the obligations of the Guarantor under the Guaranty, the pledge under the Indenture of any lease rentals, revenues or receipts payable by, or any guaranteed obligation of, the Lessee under the IDA Lease Agreement, and the estate and rights hereby granted and all covenants, agreements and other obligations of the Agency to the Holders of all of the Bonds hereunder in respect of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security hereunder, except as to moneys or securities held by the Trustee or the Paying Agents as provided in this Section. At the time of such cessation, termination, discharge and satisfaction, in respect of all of the Bonds, (1) the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Lessee all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, (2) the Trustee and the Paying Agents shall pay over or deliver to the Agency for payment to the Lessee or on its order, as a rebate of rent, all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the United States government in accordance with any Tax Certificate or the Indenture and (3) the Trustee shall return each Guaranty to the respective Guarantor.

(c) Prior to any defeasance of a Series of Bonds becoming effective as provided in Section 10.01(a) above, there shall have been delivered to the Agency and the Trustee an opinion of Bond Counsel, addressed to the Agency and the Trustee, to the effect that (i) interest on Tax-Exempt Bonds of such Series being discharged by such defeasance will not become includable in gross income for federal income tax purposes by reason of such defeasance and (ii) the Bonds of such Series have been paid within the meaning and with the effect expressed in the Indenture.

(d) No provision of this Section 10.01, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds to tender such Bonds for purchase, exchange, register, discharge from registration or replace Bonds, nor limit the rights of the Trustee, or the Paying Agents to compensation in accordance with their agreements theretofore existing, until such Bonds shall have been paid in full. Bonds delivered to the Trustee for payment shall be canceled by the Trustee pursuant to Section 3.08 hereof.

(e) The Trustee shall hold in trust money and/or Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the Government Obligations in accordance with the Indenture only to the payment of principal of, interest on, or Purchase Price of, the Bonds of such Series defeased in accordance with Article X.

(f) When the Bonds have been paid in full, the Trustee shall so notify the Lessee.

ARTICLE XI
AMENDMENTS OF INDENTURE

SECTION 11.01 Limitation on Modifications. The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article.

SECTION 11.02 Supplemental Indentures Without Bondholders' Consent. (a) The Agency and the Trustee may, from time to time and at any time, enter into supplements or amendments to the Indenture without the consent of the Bondholders for any of the following purposes:

(i) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien hereof.

(ii) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iii) To add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iv) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(v) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(vi) To modify or amend such provisions of the Indenture as shall, in the opinion of Bond Counsel delivered to the Agency, be necessary to assure the exclusion of the interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes.

(vii) To authorize the issuance of a Series of Additional Bonds and to prescribe the terms, forms and details thereof consistent with the Indenture.

(viii) To effect any other change herein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(ix) To make any change not materially adversely affecting any Bondholder's rights to provide for or to implement the provisions of a Credit Facility, if any, with respect to a particular Series of Bonds.

(x) With respect to any Bonds of a Series entitled to the benefits of a Credit Facility, to make any change (other than changes permitted in paragraph (ix) above) to provide for or to implement the provisions of such Credit Facility, only if the changes to the Indenture become effective on a Purchase Date on which the Bonds of such Series are subject to mandatory tender for purchase.

(xi) To evidence the succession of a new Trustee or the appointment by the Trustee or the Agency of a co-trustee.

(xii) To make any change not materially adversely affecting any Bondholder's rights requested by the Rating Agency in order to secure or maintain a rating on the Bonds.

(xiii) To modify, amend or supplement the Indenture or any supplement hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute.

(xiv) To modify or amend the provisions of the Indenture as shall, in the Opinion of Counsel, be necessary to conform the provisions of the Indenture to the City-American Lease and/or the provisions of a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease.

(b) Before the Agency and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, there shall have been filed with the Trustee an Opinion of Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms.

SECTION 11.03 Supplemental Indentures With Bondholders' Consent. (a) Subject to the terms and provisions contained in this Article XI and Article XII hereof, the Holders of greater than 50% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture with respect to the Bonds as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, Purchase Price, or interest on any Outstanding Bond, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bond, a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon (except upon conversion), any extension of the time of payment thereof, a change in the mechanics for any interest rate determination method applicable to any Bond, or a change in the terms of the purchase, in any case without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of revenues or rental income from or in connection with the Facility and payable by the Lessee under the IDA Lease Agreement other than the lien or pledge created by the Indenture, the Equipment Security Agreement, and the Leasehold Mortgage, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this Section 11.03(a), without, in the case of items (i) through and including (v) of this Section 11.03(a), the written consent of one hundred per centum (100%) of the Holders of the Outstanding Bonds (provided that a change affecting less than all of Outstanding Bonds shall require the approval only of the Holders of the Outstanding Bonds so affected). For the purposes of this Section, Bonds shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, such Bonds would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Agency and all Holders of such Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether such Bonds would be so affected by any such modification or amendment hereof.

(b) If at any time the Agency shall determine to enter into any Supplemental Indenture for any of the purposes of this Section relating to any Bonds, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall be prepared by the Lessee and shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders. Any change affecting less than all Bonds shall require notice to only to the Holders of the Bonds so affected.

(c) Subject to the terms and provisions contained in this Section and Article XII hereof, within one year after the date of such notice, the Agency and the Trustee may enter into such Supplemental Indentures in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of Holders of not less than a majority of or 100% of, as the case may be, the aggregate principal amount of the Bonds then Outstanding (provided that a change affecting less than all of the Outstanding Bonds shall require approval only of the Holders of Outstanding Bonds so affected) and (ii) an Opinion of Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consent has been given by the Holders of such Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

(d) Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, the Indenture shall be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Holders of the affected Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

SECTION 11.04 Supplemental Indenture Part of the Indenture. Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of the Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture entered into in accordance with the provisions of Section 11.02 or 11.03 hereof which does not adversely affect it and which is not contrary to law.

SECTION 11.05 Consent of Facility Provider. For purposes of consent of the holders of the Bonds pursuant to this Article XI of the Indenture, while a Credit Facility is in effect with respect to such Bonds, for so long as such Credit Facility is outstanding and the

Credit Facility Provider is honoring drawings or payments thereunder, the Credit Provider shall be deemed the holder of the Outstanding Bonds secured by such Credit Facility.

SECTION 11.06 Rights of Lessee. Anything herein to the contrary notwithstanding, any Supplemental Indenture under Article XI hereof shall not become effective unless and until the Lessee shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Lessee.

ARTICLE XII
AMENDMENTS OF RELATED SECURITY DOCUMENTS

SECTION 12.01 Amendments of Security Documents Not Requiring Consent of Bondholders. The Agency and the Trustee may consent, without the consent of or notice to the Bondholders, to any amendment, change or modification of any of the Security Documents (i) for the purpose of curing any ambiguity or formal defect or omission therein, (ii) which, in the judgment of the Trustee, based upon an opinion of Bond Counsel, is not materially to the prejudice of the Trustee, the Agency or the Holders of the Bonds, (iii) which, in the opinion of Bond Counsel delivered to the Agency, shall be necessary to assure the exclusion of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes, or (iv) which, in the Opinion of Counsel, shall be necessary to conform the provisions of such Security Documents to the City-American Lease and/or the provisions of a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease. The Trustee shall have no liability to any Bondholder or any other person for any action taken by it in good faith pursuant to this Section.

SECTION 12.02 Amendments of Security Documents Requiring Consent of Bondholders. Except as provided in Section 12.02, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Security Documents affecting any Bonds hereunder, without mailing of notice and the written approval or consent of the Holders of greater than 50% in aggregate principal amount of the Bonds at the time Outstanding given and procured as set forth in Section 11.03 hereof; provided, however, there shall be no amendment, change or modification to (i) the obligation of the Lessee to make lease rental payments with respect to any Bonds under the IDA Lease Agreement, or (ii) the Lessee's or AMR's obligations under the Guaranty, without the prior written approval of the Holders of 100% in aggregate principal amount of all Bonds at the time Outstanding given and procured as in Section 11.03 hereof provided. If at any time an obligor under a Security Document shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in Section 11.03(b) hereof with respect to Supplemental Indentures. Such notice shall be prepared by the Agency or the Lessee and shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. For the purposes of this Section, Bonds shall be deemed to be affected by a modification or amendment to a Security Document if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds would be affected by any

modification or amendment to a Security Document and any such determination shall be binding and conclusive on the Agency and all Holders of the Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds would be so affected by any such modification or amendment to a Security Document.

SECTION 12.03 Consent of Facility Provider. Any modification or amendment to a Security Document which would expressly affect the rights of a Credit Facility Provider shall not become effective until the written consent of such Credit Facility Provider has been obtained. Notice of the adoption of such modification to a Security Document and of the effectiveness of the modification or amendment made thereby shall be given to each Applicable Credit Facility Provider at the times and in the manner provided herein with respect to notices thereof required to be given to the Bonds of such Series. For purposes of consent of the holders of the Bonds pursuant to this Article XII of the Indenture, while a Credit Facility is in effect, for so long as such Credit Facility is outstanding and the Credit Facility Provider is honoring drawings or payments thereunder, the Credit Provider shall be deemed the holder of the Bonds secured by such Credit Facility.

ARTICLE XIII
MISCELLANEOUS

SECTION 13.01 Evidence of Signature of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent, approval, objection or other instrument which the Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by any Bondholder in person or by his duly authorized attorney appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(c) Except as otherwise provided in Section 11.03 hereof with respect to revocation of a consent, any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee or any Paying Agent in accordance therewith.

SECTION 13.02 Money Held for Particular Bonds. (a) The amounts held by the Trustee for the payment of the principal, purchase price or Redemption Price, if any, of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payments, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto. The Trustee shall use its best efforts to cause such amounts so held to be invested only in Government Obligations maturing within thirty (30) days.

(b) Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by earlier call for redemption or purchase, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or the Paying Agent after said date when such Bonds become due and payable, shall be paid, together with accumulated interest and other earnings, by the Trustee to the Agency for payment to the Lessee as rebate of rent (except regarding draws on an Applicable Credit Facility, which shall be returned to the Credit Facility Provider, if any upon its certification that it is owned amounts under the Credit Agreement), as the absolute property thereof and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto; provided, however, that before being required to make any such payments, the Trustee shall, at the expense of the Lessee, mail to the Owners of such Bonds a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than forty (40) nor more than ninety (90) days after the date of mailing of such notice, the balance of such moneys then unclaimed shall be paid to the Agency for payment to the Lessee in accordance herewith.

SECTION 13.03 Notices. Except as otherwise provided in the Indenture, any notice, demand, direction, certificate, Opinion of Counsel, request, instrument or other communication authorized or required by the Indenture to be given or filed shall be deemed to have been sufficiently given or filed for all purposes of the Indenture if and when delivered or sent by registered or certified mail, postage prepaid:

(a) To the Agency, to the New York City Industrial Development Agency, 110 William Street, New York, New York 10038, Attention: Chairperson, with a copy to the Executive Director.

(b) To the Trustee, the Bond Registrar or Paying Agent, or to The Bank of New York, Corporate Trust Administration, 101 Barclay Street, New York, New York 10286.

(c) To the Lessee, to American Airlines, Inc., P.O. Box 619616, MD 5566, DFW Airport, Texas 75261-9616, Attention: Treasurer, with a copy to American Airlines, Inc., P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Corporate Secretary, and a copy to American Airlines, Inc., P.O. Box 619616, MD 5656, DFW Airport, Texas 75261-9616, Attention: Chief Tax Official.

(d) To the Guarantor, to AMR Corporation P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Vice President Corporate Development and

Treasurer, with a copy to American Airlines, Inc., P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Corporate Secretary.

(e) To the City, to The City of New York, City Hall, New York, New York 10007, Attention: Deputy Mayor for Economic Development and Rebuilding, with a copy to The City of New York Department of Business Services, 110 William Street, Third Floor, New York, New York 10038, Attention: Commissioner.

Any such party may, by like notice, designate any further or different addresses to which subsequent notices, demands, directions, certificates, Opinions of Counsel, requests, instruments or other communications hereunder shall be sent. Any notice, demand, direction, certificate, Opinion of Counsel, request, instrument or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given as of the date it shall have been mailed.

SECTION 13.04 Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Agency, the Lessee, the Trustee, the Paying Agents and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Lessee, the Trustee, the Paying Agents and the Holders of the Bonds.

SECTION 13.05 Partial Invalidity. In case any one or more of the provisions of the Indenture or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture or of the Bonds, but the Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 13.06 Counterparts. The Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.07 Laws Governing Indenture. THE EFFECT AND MEANING OF THE INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 13.08 No Pecuniary Liability of Agency or Members. No provision, covenant or agreement contained in the Indenture or in the Bonds or any obligations herein or therein imposed upon the Agency, or the breach thereof (except for a breach caused by the gross negligence or willful misconduct of the Agency), shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in the Indenture, the Agency has not obligated itself except

with respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal, Purchase Price, or Redemption Price, if any, of Sinking Fund Installments for, or interest on, the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

SECTION 13.09 Payments Due on Saturdays, Sundays and Holidays. In any case where any payment date of principal, Sinking Fund Installment and/or interest on the Bonds, or the date fixed for redemption of any Bonds, shall be a day other than a Business Day, then payment of such principal, Sinking Fund Installment and/or interest or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day and no additional interest shall accrue.

SECTION 13.10 Appendix Incorporated Herein. Appendix A and Appendix B attached hereto shall be deemed incorporated in the Indenture as if fully set forth herein.

SECTION 13.11 Opinions. A copy of each Opinion of Counsel or Favorable Opinion of Bond Counsel delivered to Trustee hereunder or under any Series Supplemental Indenture shall also be delivered to the Port Authority.

SECTION 13.12 Date for Reference Purposes Only. The date of the Indenture shall be for reference purposes only and shall not be construed to imply that the Indenture was executed on the date first above written. This Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this Master Indenture of Trust to be executed in its name and behalf by its General Counsel, Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and, to evidence its acceptance of the trust hereby created, The Bank of New York has caused this Master Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By _____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By _____
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

APPENDIX A

DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean an irrevocable letter of credit, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit, guaranty or other similar agreement or agreements or any other agreement or agreements used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered to the Trustee in accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for one or more participants in such Depository.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

Controlled Entity shall mean any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (i) an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered

to the Trustee in accordance with the Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (b) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Lessee has participated or has been a party, or has been given the opportunity to participate or be a party or (c) the delivery to the Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (c) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, with respect to a Series of Bonds, each of the respective periods during which such Series of Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts and other similar obligations incurred in the ordinary course of business;

(iii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default or that are being contested in good faith

by appropriate proceedings in accordance with Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable (or which, if past due, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(viii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean at any time of the calculation thereof the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

[Form of Requisition from the Construction Account of the Project Fund]

REQUISITION NO.

TO: The Bank of New York,
as Trustee

FROM: American Airlines, Inc.

Ladies and Gentlemen:

You are requested to draw on [specify Construction Account(s)] of the Project Fund, established pursuant to Section 5.01 of the Master Indenture of Trust dated as of July 1, 2002 (the "Master Indenture") between the New York City Industrial Development Agency (the "Agency") and yourself, a check or wire transfer, as specified, in the amounts, payable to the order of American Airlines, Inc. for the purpose of reimbursing American Airlines, Inc. for those costs incurred as agent set forth on Schedule A attached hereto. All capitalized terms used in this Requisition not otherwise defined herein shall have the meanings given such terms by Schedule A to the Master Indenture.

I hereby certify, to the best of my knowledge after due investigation and inquiry that:

(i) I am an Authorized Representative of the Lessee;

(ii) the number of this Requisition is _____;

(iii) the items of cost set forth on Schedule A attached hereto are correct and proper under Section 5.02(b) of the Indenture and each such item has been properly paid or incurred as an item of Project Costs;

(iv) none of the items for which this Requisition is made has formed the basis for any disbursement heretofore made from the Project Fund;

(v) no item of cost set forth on Schedule A attached hereto was incurred or paid prior to October 10, 1999, except for certain "preliminary expenditures" for architectural, engineering, surveying, soil testing and similar costs incurred prior to commencement of construction of the Facility;

(vi) the payees and amounts stated in Schedule A attached hereto are true and correct and each item of cost so stated is due and owing;

(vii) each such item stated in Schedule A attached hereto is a proper charge against the Project Fund;

(viii) no Event of Default exists and is continuing under the IDA Lease Agreement or any other Security Documents nor any condition, event or act which, with notice or lapse of time or both, would constitute such an Event of Default;

(ix) I have no knowledge of any vendor's lien, materialmen's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment herein requested is made or which will not be discharged by such payment;

(x) each item of cost set forth in Schedule A attached hereto is consistent in all material respects with the Applicable Tax Certificate; and (1) (A) the amounts to be paid will not be used for any Project Cost which is not Qualified Cost (other than Costs of Issuance), or (B) of the total amount of the Net Proceeds of the Bonds theretofore applied and then being requisitioned, no less than ninety-five percent (95%) has been or will be expended for Qualified Costs and no more than five percent (5%) has been or will be expended for Nonqualified Costs; (2) the Project Cost was incurred on the Leased Facilities, and (3) the Project Cost has not otherwise been reimbursed, funded or paid.

(xi) if the payment herein requested is a reimbursement to the Lessee for costs or expenses of the Lessee incurred by reason of work performed or supervised by officers, partners or employees of the Lessee or any Affiliate, such officers, partners or employees were specifically employed for such purpose and the amount to be paid does not exceed the actual cost thereof to the Lessee and such costs or expenses will be treated by the Lessee on its books as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis;

(xii) if the payment herein requested is for an item of Facility Equipment, upon payment of the cost thereof The City of New York will be the owner thereof and such Facility Equipment will be subject to the IDA Lease Agreement;

(xiii) such item of cost for which payment is herein requested is chargeable to the capital account of the Project for Federal income tax purposes, or would be so chargeable either with an election by the Lessee or but for the election of the Lessee to deduct the amount of such item.

Attached to this Requisition is a copy of the bills or invoices evidencing and supporting this Requisition.

Dated:_____

AMERICAN AIRLINES, INC.

By: _____
Name: _____
Title: _____

SCHEDULE A TO REQUISITION NO. _____

Project Cost	Category Payee	Amount

EXECUTION COPY

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST

Dated as of July 1, 2002

$120,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002A
(American Airlines, Inc. John F. Kennedy International Airport Project)

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FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST

THIS FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof (this "First Series Supplemental Indenture"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a New York banking corporation, authorized to accept and execute trusts of the character herein set out, as Trustee under this First Series Supplemental Indenture (the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the Agency and the Trustee have entered into a Master Indenture of Trust, dated as of July 1, 2002 (the "Master Indenture"); and

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of a Series of Bonds pursuant to a Series Supplemental Indenture entered into in accordance with the Master Indenture; and

WHEREAS, the Lessee has requested the Agency to issue its Bonds under the Master Indenture to finance a portion of the costs of the Project; and

WHEREAS, the Agency has authorized the issuance of its Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002A Bonds") in the aggregate principal amount of $120,000,000 pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and a bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001, the Master Indenture and this First Series Supplemental Indenture to provide funds for a portion of the costs of the Project, including incidental and related costs, to pay the costs and expenses of the issuance of the Series 2002A Bonds and to fund a debt service reserve fund; and

WHEREAS, the Series 2002A Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the following form, with necessary and appropriate variations, omissions, substitutions and insertions as permitted or required by this First Series Supplemental Indenture, to wit:

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

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

No. R-Number~ $Dollar~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Redemption of Series 2002A Bonds

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

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

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

(3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

Mandatory Redemption on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption on a pro rata basis in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002A Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bond so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Redemption Upon the Occurrence of a Determination of Taxability. The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or

the Lessee of a Determination of Taxability. All of the Series 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the affected Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002A Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002A Bonds to be redeemed shall be selected in accordance with the Indenture.

Notice of Redemption. Notice of optional or mandatory redemption of the Series 2002A Bonds or any principal portion thereof, shall be given as provided in the Indenture and the First Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002A Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002A Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002A Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002A Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002A Bond, exist, have happened and have been performed, and that the issuance of this Series 2002A Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002A Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002A Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002A Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002A Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs all as of July 1, 2002.

NEW YORK CITY
INDUSTRIAL DEVELOPMENT
AGENCY

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002A Bonds described in the within mentioned First Series Supplemental Indenture.

The Bank of New York, as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

THIS FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST FURTHER WITNESSETH that this First Series Supplemental Indenture of Trust is supplemental to, and is entered into in accordance with the Indenture, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time of the Series 2002A Bonds or any part thereof, as follows, that is to say:

ARTICLE I.

DEFINITIONS

SECTION 1.01. Definitions. Terms not otherwise defined herein shall have the same meanings as (i) used in Appendix A hereto and made a part hereof or (ii) set forth in Appendix A to the Master Indenture.

SECTION 1.02. Construction. In this First Series Supplemental Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this First Series Supplemental Indenture, refer to the entire First Series Supplemental Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this First Series Supplemental Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this First Series Supplemental Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this First Series Supplemental Indenture, nor shall they affect its meaning, construction or effect.

ARTICLE II.

AUTHORIZATION AND ISSUANCE OF SERIES 2002A BONDS

SECTION 2.01. Authorization of Series 2002A Bonds, Principal Amount, Designation and Series. A Series of Bonds entitled to the benefit, protection and security of the Indenture is hereby authorized to be issued in an aggregate principal amount not to exceed $120,000,000. Such Series shall be designated as and shall be distinguished from the Bonds of all other Series by the title "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project)" pursuant to and subject to the terms, conditions and limitations established in the Indenture.

SECTION 2.02. Purposes. The purposes for which the Series 2002A Bonds are being issued are to make a deposit to the Series 2002A Construction Account of the Project Fund, to pay a portion of the Project Costs, including certain Costs of Issuance relating to the Series 2002A Bonds, and to make a deposit to the Series 2002A Debt Service Reserve Account in an amount equal to the Series 2002A Debt Service Reserve Account Requirement.

SECTION 2.03. The Series 2002A Bonds. (a) The Series 2002A Bonds initially shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002A Bonds and the Series 2002A Bonds shall be registered to Cede & Co., as nominee of the Depository. While the Series 2002A Bonds are Book-Entry Bonds, the Series 2002A Bonds shall not be registered as transferred or exchanged except as provided in Section 3.12 of the Indenture. The owners of beneficial interests in the Series 2002A Bonds shall not have any right to receive Series 2002A Bonds in the form of physical certificates so long as the book entry system is in effect with respect to the Series 2002A Bonds.

The Series 2002A Bonds shall mature, subject to prior redemption upon the terms and conditions hereinafter set forth, on August 1, 2012.

(b) Each Series 2002A Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date to which interest on the Series 2002A Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 2002A Bonds, from such date of authentication; *provided, however,* that if, as shown by the records of the Bond Registrar, interest on the Series 2002A Bonds shall be in default, Series 2002A Bonds issued in exchange for Series 2002A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002A Bonds or, if no interest has been paid on the Series 2002A Bonds, from the date of the first authentication of Series 2002A Bonds hereunder. Interest on the Series 2002A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2002A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2002A Bonds shall have been paid in full. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Subject to Section 3.12 of the Indenture relating to Bonds held in the book entry system, the principal of the Series 2002A Bonds (including Redemption Price, if any) shall be payable in such lawful money of the United States of America as, at the respective time of payment, shall be legal tender for the payment of public and private debts, to the holders of the Series 2002A Bonds upon presentation and surrender of such Series 2002A Bonds at the principal corporate trust office of the Paying Agent. Interest on all Series 2002A Bonds shall be payable on each Interest Payment Date by the Paying Agent by check mailed on the date on which such interest is due to the holders of the Series 2002A Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of any holder of Series 2002A Bonds in an aggregate principal amount in excess of $500,000 as shown

on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, wire transfer instructions to the Paying Agent, interest payable on such Series 2002A Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond. Notwithstanding any other provision of the Series 2002A Bonds to the contrary, so long as the Series 2002A Bonds shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for the Series 2002A Bonds, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds.

If and to the extent, however, that the Agency fails to make payment or provision for payment of interest on any Series 2002A Bond on any Interest Payment Date, interest shall continue to accrue thereon but shall cease to be payable to the holder of that Series 2002A Bond as of the applicable Record Date. When moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 8.03 of the Indenture, establish a Special Record Date for the payment of that interest which Special Record Date shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Bond Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each holder not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable as provided herein to the holders of the Series 2002A Bonds as of the Special Record Date at the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Registrar by the Lessee, or in the event the Lessee fails to provide such notice, by the Trustee.

The person in whose name any Series 2002A Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date.

(c) The first Interest Rate Period shall commence on the date of issuance of the Series 2002A Bonds and shall be a Long-Term Interest Rate Period. Upon the date of issuance of the Series 2002A Bonds, the Long-Term Interest Rate borne by the Series 2002A Bonds shall be 8.00% per annum for a term ending July 31, 2012.

The Series 2002A Bonds, the certificate of authentication to be endorsed thereon and the form of assignment to be included therein shall be substantially in the forms described in the recitals hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this First Series Supplemental Indenture. The Series 2002A Bonds shall be numbered consecutively from R-1 upwards in order of issuance according to the records of the Bond Registrar.

SECTION 2.04. Redemption Provisions. The Series 2002A Bonds shall be subject to redemption prior to maturity as follows:

(a) Optional Redemption

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

(ii) Extraordinary Optional Redemption Without Premium. The Series 2002A Bonds are further subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

(c) Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

(d) Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

(e) Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

(f) Mandatory Redemption Upon the Occurrence of a Determination of Taxability. The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or the Lessee of a Determination of Taxability. Payment of such Redemption Price with respect to the Series 2002A Bonds shall constitute the full and complete payment and satisfaction to the Holders for any claim, damages, costs or expenses arising out of such Determination of Taxability. All of the Series 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, if in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

(g) Redemption of Series 2002A Bonds permitted or required by this Section 2.04 shall be made as follows, and the Trustee shall give the notice of redemption referred to and in accordance with Section 6.03 of the Indenture in respect of each such redemption.

(1) Redemption shall be made pursuant to the optional redemption provisions of Section 2.04(a) hereof at such times as are permitted thereunder and in such principal amounts as the Lessee shall request in a written notice to the Agency and Trustee; and

(2) Redemption shall be made pursuant to the optional redemption provision of Section 2.04(b) and the mandatory redemption provisions of Sections 2.04(c), (d), (e) and (f) hereof, without the necessity of any instructions or further act of the Agency (other than the determination by the Agency described in Section 2.04(b) hereof) or the Lessee.

(h) Under no circumstances shall the Trustee be required to use any of its own funds to effect any redemption of Series 2002A Bonds.

(i) If all Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs (a) through (f), then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(j) If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

SECTION 2.05. Execution of Series 2002A Bonds. The Series 2002A Bonds shall be executed on behalf of the Agency by the manual or facsimile signature of the Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director of the Agency, and the seal of the Agency shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Series 2002A Bonds. In case one or any of the officers who shall have signed or attested the Series 2002A Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series 2002A Bonds so signed and attested shall have been actually issued and delivered, the Series 2002A Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Series 2002A Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002A Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 2.06. Authentication. Only such Series 2002A Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Bond in the recitals of this First Series Supplemental Indenture, duly executed by the Trustee, shall be entitled to any right or benefit under the Indenture. No Series 2002A Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Indenture unless

and until such certificate of authentication on such Series 2002A Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Series 2002A Bond shall be conclusive evidence that such Series 2002A Bond has been duly authenticated and delivered under the Indenture. The Trustee's certificate of authentication on any Series 2002A Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Series 2002A Bonds.

SECTION 2.07. Book-Entry Bonds; Depository for the Series 2002A Bonds. The Series 2002A Bonds shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002A Bonds.

SECTION 2.08. Tax-Exempt Bonds. The Series 2002A Bonds shall be issued as Tax-Exempt Bonds.

ARTICLE III.

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST

SECTION 3.01. Establishment of Accounts. The following Accounts shall be established and held within the following Funds and said Accounts shall maintained and applied by the Trustee in accordance with Article V of the Indenture:

(a) Within the Project Fund

(i) Series 2002A Construction Account

(b) Within the Bond Fund

(i) Series 2002A Principal Account

(ii) Series 2002A Interest Account

(iii) Series 2002A Redemption Account

(iv) Series 2002A Debt Service Reserve Account

SECTION 3.02. Application of Series 2002A Bond Proceeds. All moneys received by the Agency from the sale of the Series 2002A Bonds shall be simultaneously disbursed as follows:

(i) $800,000 shall be deposited into the Series 2002A Interest Account of the Bond Fund;

(ii) $102,043,440 shall be deposited into the Series 2002A Construction Account of the Project Fund.

(iii) $11,408,160 shall be deposited into the Series 2002A Debt Service Reserve Account of the Bond Fund.

ARTICLE IV.

MISCELLANEOUS

SECTION 4.01. Partial Invalidity. In case any one or more of the provisions of this First Series Supplemental Indenture or of the Series 2002A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture, the First Series Supplemental Indenture or of the Series 2002A Bonds, but the Indenture, the First Series Supplemental Indenture and the Series 2002A Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Series 2002A Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 4.02. Counterparts. This First Series Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 4.03. Laws Governing First Series Supplemental Indenture. THE EFFECT AND MEANING OF THIS FIRST SERIES SUPPLEMENTAL INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 4.04. No Pecuniary Liability of Agency Members. No provision, covenant or agreement contained in this First Series Supplemental Indenture or in the Series 2002A Bonds or any obligations herein or therein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this First Series Supplemental Indenture, the Agency has not obligated itself except with respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Series 2002A Bonds.

SECTION 4.05. Indenture to Remain In Effect. Save and except as supplemented by this First Series Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 4.06. Date for Reference Purposes Only. The date of this First Series Supplemental Indenture shall be for reference purposes only and shall not be construed to imply that this First Series Supplemental Indenture was executed on the date first above written. This First Series Supplemental Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this First Series Supplemental Indenture of Trust to be executed in its name and behalf by its Chairperson, General Counsel, Vice Chairperson or Executive Director or Deputy Executive Director and, to evidence its acceptance of the trust hereby created, The Bank of New York has caused this First Series Supplemental Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By: _____
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

APPENDIX A

FIRST SERIES SUPPLEMENTAL INDENTURE

DEFINITIONS

First Series Supplemental Indenture shall mean the First Series Supplemental Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee authorizing the issuance of the Series 2002A Bonds.

Interest Accrual Date shall mean July 1, 2002 and each February 1 and August 1 thereafter, commencing February 1, 2003.

Interest Payment Date shall mean each February 1 and August 1, or, if any such February 1 or August 1 shall not be a Business Day, the next succeeding Business Day without the accrual of additional interest, *provided* that notwithstanding anything herein to the contrary, the first Interest Payment Date for the Series 2002A Bonds shall be February 1, 2003.

Long-Term Interest Rate shall mean the term, non-variable interest rate on the Series 2002A Bonds established in accordance with Section 2.03(c) of the First Series Supplemental Indenture.

Long-Term Interest Rate Period shall mean the period during which the Long-Term Interest Rate is in effect.

Series 2002A Bonds shall mean the $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency issued, executed, authenticated and delivered under the Indenture.

Series 2002A Construction Account shall mean the Series 2002A Construction Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Debt Service Reserve Account shall mean the Series 2002A Debt Service Reserve Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Debt Service Reserve Account Requirement shall mean with respect to the Series 2002A Bonds an amount equal to the lesser of (i) the greatest amount required in the then current or any future bond year to pay the sum of interest on such Outstanding Series 2002A Bonds payable during such bond year, and the principal and sinking fund installments, if any, on such Outstanding Series 2002A Bonds payable on August 1 of such bond year, excluding interest accruing on such Series 2002A Bonds from the dated date of such Series 2002A Bonds to the date of delivery thereof, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale

of such Series 2002A Bonds, and (iii) 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due over the term of the Series 2002A Bonds.

Series 2002A Interest Account shall mean the Series 2002A Interest Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Principal Account shall mean the Series 2002A Principal Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Redemption Account shall mean the Series 2002A Redemption Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME III

INDEX OF CLOSING DOCUMENTS

Document Number

1. Basic Lease.

2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).

3. First Supplemental Agreement to Port Authority Lease.

4. Agreement Towards Entering into a Lease.

5. Recognition, Non-Disturbance and Attornment Agreement.

6. Consent to Subleases and Leasehold Mortgage Agreement.

7. Company Sublease Agreement.

8. IDA Lease Agreement.

9. Master Indenture of Trust.

10. First Series Supplemental Indenture of Trust.

11. Second Series Supplemental Indenture of Trust.

12. American Airlines, Inc. Guaranty.

13. AMR Corporation Guaranty.

14. Form of Leasehold Mortgage and Security Agreement.

15. Equipment Security Agreement.

16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

DOCUMENTS DELIVERED BY THE
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

Exhibit A

By-Laws of the Agency.

Exhibit B

Inducement and Authorizing Resolutions.

Exhibit C

Specimen Bonds.

Exhibit D

Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

Exhibit A

Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

DOCUMENTS DELIVERED BY AMR CORPORATION

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE BANK OF NEW YORK

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

UNDERWRITING DOCUMENTS

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

Execution Copy

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST

Dated as of July 1, 2002

$380,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002B
(American Airlines, Inc. John F. Kennedy International Airport Project)

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SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof (this "Second Series Supplemental Indenture"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a New York banking corporation, authorized to accept and execute trusts of the character herein set out, as Trustee under this Second Series Supplemental Indenture (the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the Agency and the Trustee have entered into a Master Indenture of Trust, dated as of July 1, 2002 (the "Master Indenture"); and

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of a Series of Bonds pursuant to a Series Supplemental Indenture entered into in accordance with the Master Indenture; and

WHEREAS, the Lessee has requested the Agency to issue its Bonds under the Master Indenture to finance a portion of the costs of the Project; and

WHEREAS, the Agency has authorized the issuance of its Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002B Bonds") in the aggregate principal amount of $380,000,000 pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and a bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001, the Master Indenture and this Second Series Supplemental Indenture to provide funds for a portion of the costs of the Project, including incidental and related costs, to pay the costs and expenses of the issuance of the Series 2002B Bonds and to fund a debt service reserve fund; and

WHEREAS, the Series 2002B Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the following form, with necessary and appropriate variations, omissions, substitutions and insertions as permitted or required by this Second Series Supplemental Indenture, to wit:

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

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

No. R-Number~ $Dollar~

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

[FOR USE WHEN SERIES 2002B BONDS ARE IN CERTIFICATED FORM]
FOR BOND INTEREST TERM RATE PERIOD ONLY

INTEREST RATE (%)	FIRST DAY OF BOND INTEREST TERM AND INTEREST ACCRUAL DATE:	FIRST DAY OF NEXT BOND INTEREST TERM AND INTEREST PAYMENT DATE:	INTEREST DUE ON NEXT INTEREST PAYMENT DATE:	NUMBER OF DAYS IN BOND INTEREST TERM

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: Amount ~ DOLLARS
CUSIP NUMBER:
MATURITY DATE: August 1, 2028

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a Second Series Supplemental Indenture (the "Second Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as heretofore supplemented and as supplemented by the Second Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture." All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002B Bond and the issue of which it is a part shall bear interest initially at a Long-Term Interest Rate of 8.50% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002B Bonds and ending July 31, 2028. The principal of and premium (if any) on this Series 2002B Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002B Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002B Bond shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal

amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bond shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the principal of, Redemption Price and Sinking Fund Installments, if any of and interest on this Series 2002B Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002B Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002B Bond to the contrary, so long as this Series 2002B Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on this Series 2002B Bond.

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

This Series 2002B Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002B Bonds") issued in the aggregate principal amount of $380,000,000. The Series 2002B Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002B Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of

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

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

any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

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

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City

of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Interest Rate Periods and Accrual of Interest on the Series 2002B Bonds. The term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which the Series 2002B Bonds shall bear interest at a Daily Interest Rate (a *"Daily Interest Rate Period"*), a Weekly Interest Rate (a *"Weekly Interest Rate Period"*), a Long-Term Interest Rate (a *"Long-Term Interest Rate Period"*), or Bond Interest Term Rates for one or more consecutive Bond Interest Terms (a *"Bond Interest Term Rate Period"*). The initial Interest Rate Period for this Series 2002B Bond shall be a Long-Term Interest Rate Period ending July 31, 2028. The interest rate on the Series 2002B Bonds may be adjusted from time to time from one Interest Rate Period to another and thereafter again adjusted under the circumstances described and permitted in the Second Series Supplemental Indenture. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the Second Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002B Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds, or if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds under the Indenture.

Interest Payment Date. During any Daily Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date (as defined in the Second Series Supplemental Indenture) for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. During any Weekly Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). During any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002B Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate

Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

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

No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the "Maximum Rate," which is defined in the Second Series Supplemental Indenture as the lesser of (i) 25% per annum, (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof or (iii) the maximum rate permitted by law.

Tender and Purchase

Optional Tender for Purchase of Series 2002B Bonds During a Daily Interest Rate Period or Weekly Interest Rate Period. The Series 2002B Bonds are subject to optional tender for purchase by the owner hereof during a Daily Interest Rate Period and a Weekly Interest Rate Period upon the terms and conditions set forth in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase of Series 2002B Bonds on the Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the day next succeeding the last day of each Bond Interest Term for the Series 2002B Bonds, unless such day is the Maturity Date or the first day of a new Interest Rate Period.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period if one of the conditions precedent to the adjustment to a new Interest Rate Period has not been met as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of a Credit Facility. The Series 2002B Bonds are subject to mandatory tender for purchase on the fifth calendar day preceding certain events relating to the termination, expiration, or replacement of a Credit Facility then in effect then securing the Series 2002B Bonds as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement. While the Series 2002B Bonds bear interest at the Daily Interest Rate or Weekly Interest Rate, the Series 2002B Bonds are subject to mandatory tender for purchase on the fifth Business Day following receipt by the Trustee of notice from the Credit Facility Provider which

has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds, all as provided for, and subject to the terms and provisions of, the Second Series Supplemental Indenture.

Mandatory Tender for Failure of the Credit Facility Provider to Reinstate Interest. In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility, the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated.

Redemption of Series 2002B Bonds

Optional Redemption During the Daily Interest Rate Period and the Weekly Interest Rate Period. During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds are subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During a Bond Interest Term Rate Period. On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During Initial Long-Term Interest Rate Period. The Series 2002B Bonds shall be subject to redemption in whole or in part prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices
August 1, 2012 to July 31, 2013	101%
August 1, 2013 to July 31, 2014	100-1/2%
August 1, 2014 and thereafter	100%

Optional Redemption During a Long-Term Interest Rate Period Other Than Initial Long-Term Interest Rate Period. During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or such other periods as may be permitted in accordance with the Second Series Supplemental Indenture) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as percentages of principal amount) hereinafter indicated (or such other Redemption Prices as may be specified in accordance with the Second Series Supplemental Indenture), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES
greater than 15	after 10 years at 102%, declining by 1% every year to 100%
less than or equal to 15 and greater than 10	after 7 years at 102%, declining by 1% every year to 100%
less than or equal to 10 and greater than 7	after 5 years at 102%, declining by 1% every year to 100%
less than or equal to 7 and greater than 4	after 3 years at 101%, declining by 1% every year to 100%
less than or equal to 4	after 2 years at 100%

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002B Bonds. The Series 2002B Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a

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

Extraordinary Optional Redemption Without Premium. The Series 2002B Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption

Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002B Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015	$15,140,000
2016	$16,425,000
2017	$17,825,000
2018	$19,340,000
2019	$20,980,000
2020	$22,765,000
2021	$24,700,000
2022	$26,800,000
2023	$29,080,000
2024	$31,550,000
2025	$34,230,000
2026	$37,140,000

2027	$40,300,000
2028*	$43,725,000

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. All of the Series 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the affected Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002B Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002B Bonds to be redeemed shall be selected in accordance with the Indenture. Notwithstanding anything in the Indenture to

the contrary, if there shall have occurred and be continuing an Event of Default with respect to the Series 2002B Bonds under the Indenture, there shall be no redemption of less than all of the Series 2002B Bonds Outstanding.

Notice of Redemption or Tender. Notice of optional or mandatory redemption of the Series 2002B Bonds or any principal portion thereof, or optional or mandatory tender of the Series 2002B Bonds, shall be given as provided in the Indenture and the Second Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002B Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002B Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002B Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002B Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002B Bond, exist, have happened and have been performed, and that the issuance of this Series 2002B Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002B Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002B Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002B Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002B Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs all as of July 1, 2002.

NEW YORK CITY
INDUSTRIAL DEVELOPMENT
AGENCY

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002B Bonds described in the within mentioned Second Series Supplemental Indenture.

The Bank of New York, as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

THIS SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST FURTHER WITNESSETH that this Second Series Supplemental Indenture of Trust is supplemental to, and is entered into in accordance with the Indenture, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time, of the Series 2002B Bonds or any part thereof, as follows, that is to say:

ARTICLE I.

DEFINITIONS

SECTION 1.01. Definitions. Terms not otherwise defined herein shall have the same meanings as (i) used in Appendix A hereto and made a part hereof or (ii) set forth in Appendix A to the Master Indenture.

SECTION 1.02. Construction. In this Second Series Supplemental Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Second Series Supplemental Indenture, refer to the entire Second Series Supplemental Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Second Series Supplemental Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Second Series Supplemental Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Second Series Supplemental Indenture, nor shall they affect its meaning, construction or effect.

ARTICLE II.

AUTHORIZATION AND ISSUANCE OF SERIES 2002B BONDS

SECTION 2.01. Authorization of Series 2002B Bonds, Principal Amount, Designation and Series. A Series of Bonds entitled to the benefit, protection and security of the Indenture is hereby authorized to be issued in an aggregate principal amount not to exceed $380,000,000. Such Series shall be designated as and shall be distinguished from the Bonds of all other Series by the title "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport

Project)" pursuant to and subject to the terms, conditions and limitations established in the Indenture.

SECTION 2.02. Purposes. The purposes for which the Series 2002B Bonds are being issued are to make a deposit to the Series 2002B Construction Account of the Project Fund to pay a portion of the Project Costs, including certain Costs of Issuance relating to the Series 2002B Bonds, and to make a deposit to the Series 2002B Debt Service Reserve Account in an amount equal to the Series 2002B Debt Service Reserve Account Requirement.

SECTION 2.03. The Series 2002B Bonds. (a) The Series 2002B Bonds initially shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002B Bonds and the Series 2002B Bonds shall be registered to Cede & Co., as nominee of the Depository. While the Series 2002B Bonds are Book-Entry Bonds, the Series 2002B Bonds shall not be registered as transferred or exchanged except as provided in Section 3.12 of the Indenture. The owners of beneficial interests in the Series 2002B Bonds shall not have any right to receive Series 2002B Bonds in the form of physical certificates so long as the book entry system is in effect with respect to the Series 2002B Bonds.

The Series 2002B Bonds shall mature, subject to prior redemption upon the terms and conditions hereinafter set forth, on August 1, 2028.

(b) Each Series 2002B Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date to which interest on the Series 2002B Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 2002B Bonds, from such date of authentication; *provided, however,* that if, as shown by the records of the Bond Registrar, interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds or, if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds hereunder. For any Daily Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For any Weekly Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest

Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2002B Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2002B Bonds shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed.

Subject to Section 3.12 of the Indenture relating to Bonds held in the book entry system, the principal of and redemption premium (if any) on, the Series 2002B Bonds (including Redemption Price and Sinking Fund Installments, if any) shall be payable in such lawful money of the United States of America as, at the respective time of payment, shall be legal tender for the payment of public and private debts, to the holders of the Series 2002B Bonds upon presentation and surrender of such Series 2002B Bonds at the principal corporate trust office of the Paying Agent. Interest on all Series 2002B Bonds shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bonds shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the Purchase Price of the Series 2002B Bonds shall be in lawful money of the United States of America made payable to the holder thereof upon presentation and surrender of the Series 2002B Bonds at the principal corporate trust office of the Tender Agent. Notwithstanding any other provision of the Series 2002B Bonds to the contrary, so long as the Series 2002B Bonds shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for the Series 2002B Bonds, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Redemption Price, if any, Purchase Price of and interest on the Series 2002B Bonds.

If and to the extent, however, that the Agency fails to make payment or provision for payment of interest on any Series 2002B Bond on any Interest Payment Date, interest shall continue to accrue thereon but shall cease to be payable to the holder of that Series 2002B Bond as of the applicable Record Date. When moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 8.03 of the Indenture, establish a Special Record Date for the payment of that interest which Special Record Date shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Bond Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each holder

not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable as provided herein to the holders of the Series 2002B Bonds as of the Special Record Date at the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Registrar by the Lessee, or in the event the Lessee fails to provide such notice, by the Trustee.

The person in whose name any Series 2002B Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date.

(c) In the manner hereinafter provided, the term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which all of the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate; *provided, however,* that at any time, all Series 2002B Bonds shall bear interest in the same Interest Rate Period. No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the Maximum Rate. The first Interest Rate Period shall commence on the date of issuance of the Series 2002B Bonds and shall be a Long-Term Interest Rate Period. Upon the date of issuance of the Series 2002B Bonds, the Long-Term Interest Rate borne by the Series 2002B Bonds shall be 8-1/2% per annum for a term ending July 31, 2028.

Series 2002B Bonds issued prior to the first Interest Payment Date thereon shall be dated July 1, 2002 and Series 2002B Bonds issued on or subsequent to the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the Series 2002B Bonds has been paid in full or duly provided for, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Series 2002B Bonds surrendered. The Series 2002B Bonds, the certificate of authentication to be endorsed thereon and the form of assignment to be included therein shall be substantially in the forms described in the recitals hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this Second Series Supplemental Indenture. The Series 2002B Bonds shall be numbered consecutively from R-1 upwards in order of issuance according to the records of the Bond Registrar.

SECTION 2.04. Interest Rate Determination Methods. (a) (i) *Determination of Weekly Interest Rate.* During each Weekly Interest Rate Period, the Series 2002B Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 4:30 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on (and including) the first day of such Weekly Interest Rate Period and

ending on (and including) the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on (and including) Wednesday and ending on (and including) the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on (and including) the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on (and including) the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2002B Bonds, would enable the Remarketing Agent to sell the Series 2002B Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available, for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

(ii) *Adjustment to Weekly Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at a Weekly Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Weekly Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of notice to be mailed to the holders of the Series 2002B Bonds by the Bond Registrar as provided in Section 2.04(a)(iii). During each Weekly Interest Rate Period commencing on (and including) a date so specified and ending on (and including) the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 2002B Bonds shall be a Weekly Interest Rate.

(iii) *Notice of Adjustment to Weekly Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the holders of the Series 2002B Bonds, not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 2002B Bonds will be adjusted to a Weekly Interest Rate (unless a Favorable Opinion of Bond Counsel is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period or a Bond Interest Term Period, shall continue to bear interest at the Daily Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of the period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Weekly Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(b) (i) *Determination of Long-Term Interest Rate.* During a Long-Term Interest Rate Period, the Series 2002B Bonds shall bear interest at the Long-Term Interest Rate. The Long-Term Interest Rate for the Series 2002B Bonds shall be determined by the Remarketing Agent on a Business Day no later than 10:00 a.m., New York City time, on the effective date of such Long-Term Interest Rate Period with respect to the Series 2002B Bonds. The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate, if any, at which the Remarketing Agent would agree to purchase the Series 2002B Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof; provided however that with a Favorable Opinion of Bond Counsel, the Series 2002B Bonds being converted to a Long-Term Interest Rate Period that ends on the day prior to maturity of the Series 2002B Bonds may be sold at a discount. If the Remarketing Agent fails to establish a Long-Term Interest Rate for any Long-Term Interest Rate Period on or prior to the first day of such Long-Term Interest Rate Period, then the Series 2002B Bonds shall bear interest at a Weekly Interest Rate determined in accordance with Section 2.04(a)(i). In the event that the Lessee shall specify a Long-Term Interest Rate Period of one year or greater, then the Credit Facility (if any) shall be terminated as to the Series 2002B Bonds during such Long-Term Interest Rate Period.

(ii) *Adjustment to or Continuation of Long-Term Interest Rate.* (A) At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, if any, the Paying Agent, the Credit Facility Provider, if any, and the Remarketing Agent, if any, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear, or continue to bear, interest at a Long-Term Interest Rate. Such direction of the Lessee (1) shall specify the duration of the Long-Term Interest Rate Period during which the Series 2002B Bonds shall bear interest at a Long-Term Interest Rate; (2) shall specify the effective date of such Long-Term

Interest Rate Period, which date shall be (x) a Business Day not earlier than the 30th day following the third Business Day after receipt by the Bond Registrar of such direction, (y) in the case of an adjustment from a Long-Term Interest Rate Period to another Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (z) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; (3) shall specify the last day of such Long-Term Interest Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); (4) shall specify a date on or prior to which holders are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date); (5) if approved by a Favorable Opinion of Bond Counsel, may specify any redemption periods and prices that differ from those set forth in Section 2.06 (a)(iii); and (6) if such Long-Term Interest Rate Period is for a period of one year or more, and a Credit Facility is in effect prior to the commencement of such Long-Term Interest Rate Period, such direction shall direct the Trustee to terminate such Credit Facility then in effect after the effective date of such Long-Term Interest Rate Period then to be commenced.

(B) Such direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of the notice to be mailed by the Bond Registrar to the holders of the Series 2002B Bonds as provided in Section 2.04(b)(iii).

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Interest Rate Period, the Bond Registrar shall not have received notice of the Lessee's election that, during the next succeeding Interest Rate Period, the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate, or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Long-Term Interest Rate Period of 367 days, unless the immediately preceding Long-Term Interest Rate Period was a period not exceeding one year, in which case the next succeeding Interest Rate Period will be a Long-Term Interest Rate Period of the same length as such immediately preceding Long-Term Interest Rate Period, until such time as the interest rate on the Series 2002B Bonds shall be adjusted to a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as provided in Section 2.04 and the Series 2002B Bonds shall be subject to mandatory purchase as provided in Section 2.05(c) on the first day of such Long-Term Interest Rate Period.

(D) In the event that the Lessee shall deliver to the Bond Registrar, the Remarketing Agent, the Tender Agent, the Credit Facility Provider, if any, and the Trustee on or prior to the date that the interest rate for any Long-Term Interest Rate Period is determined a notice to the effect that the Lessee elects to rescind its election to have the Series 2002B Bonds bear interest at a Long-Term Interest Rate, then the interest rate on the Series 2002B Bonds shall not be adjusted to a Long-Term Interest Rate, and the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect prior to such event, or if the Series 2002B Bonds were to be adjusted from a Long-Term Interest Rate, then the Series 2002B Bonds shall bear interest at Long-Term Interest Rate for the length of period

provided in Section 2.04(b)(ii)(C), with such period to commence on the date which would have been the effective date of such Long-Term Interest Rate Period, and the Series 2002B Bonds shall continue to be subject to mandatory purchase as provided in Section 2.05(c) on the day which would have been the effective date of such Long-Term Interest Rate Period.

(iii) *Notice of Adjustment to or Continuation of Long-Term Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a (or the establishment of another) Long-Term Interest Rate Period to the holders of the Series 2002B Bonds not less than 30 days prior to the effective date of such Long-Term Interest Rate Period. Such notice shall state: (1) that the interest rate on the Series 2002B Bonds shall be adjusted to, or continue to be, a Long-Term Interest Rate unless (x) a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent, such Favorable Opinion of Bond Counsel on the effective date of such adjustment, or (y) the Lessee shall elect, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause the adjustment of the interest rate on the Series 2002B Bonds to a Long-Term Interest Rate, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period, or a Weekly Interest Rate Period or a Bond Interest Term Rate Period, shall continue to bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) the scheduled effective date and the last day of such Long-Term Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date and the Purchase Price applicable thereto, (4) if approved by a Favorable Opinion of Bond Counsel, any redemption periods and prices specified by the Lessee that differ from those set forth in Section 2.06 (a)(iii), (5) if the Series 2002B Bonds are secured by a Credit Facility immediately prior to such effective date and such Long-Term Interest Rate Period is a period of one year or more, that the Credit Facility applicable to the Series 2002B Bonds will be terminated as of the effective date of such new Long-Term Interest Rate Period then commencing and the ratings applicable to the Series 2002B Bonds after the termination of such Credit Facility, or that no such ratings have been obtained and (6) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to the required delivery of bond certificates and payment of Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(iv) *Adjustment from Long-Term Interest Rate Period.* In addition to an adjustment from a Long-Term Interest Rate Period on the day immediately following the last day of the Long-Term Interest Rate Period, at any time during a Long-Term Interest Rate Period (subject to the provisions in this paragraph (iv)), including a Long-Term Interest Rate Period extending to the Maturity Date, the Lessee may elect, subject to Sections 2.04(g) and 2.04(h), that the Series 2002B Bonds no longer shall bear interest at a Long-Term Interest Rate and shall instead bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or a new Long-Term Interest Rate, as specified in such election. In the notice of such election, the Lessee shall also specify the effective date of the new Interest Rate Period, which date shall be (1) a Business Day no earlier than the 15th day after the third Business Day following the date of receipt by the Bond Registrar of the notice of election from the Lessee or, in the case of

adjustment to a new Long-Term Interest Rate Period, the 30th day following the date of receipt by the Bond Registrar of such notice and (2) a day on which the Series 2002B Bonds shall be subject to optional redemption in accordance with Section 2.06 (a)(iii). Such notice shall also (i) describe the Credit Facility, if any, in effect or to be in effect upon such adjustment from a Long-Term Interest Rate Period and identify the provider of such Credit Facility, (ii) state the date of termination or expiration of such Credit Facility, and the date of the proposed provision of such Credit Facility (which shall be on or prior to the date of such adjustment) if no Credit Facility for the Interest Rate Period following such Long-Term Interest Rate Period already is in effect and (iii) specify the ratings, if any, to be applicable to the Series 2002B Bonds after such adjustment or state that no ratings will be assigned to the Series 2002B Bonds subsequent to such adjustment. The Series 2002B Bonds shall be subject to mandatory tender for purchase on the scheduled effective date of the new Interest Rate Period in accordance with Section 2.05(c), at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would be applicable on that date.

(c) (i) *Determination of Bond Interest Terms and Bond Interest Term Rates.* (A) During each Bond Interest Term Rate Period, each Bond shall bear interest during each Bond Interest Term for such Series 2002B Bond at the Bond Interest Term Rate for such Bond. The Bond Interest Term and the Bond Interest Term Rate for each Series 2002B Bond need not be the same for any two Series 2002B Bonds, even if determined on the same date. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. Each Bond Interest Term for each Bond shall be a period of not less than one day nor more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Series 2002B Bonds then outstanding, will result in the lowest overall interest expense on the Series 2002B Bonds, taking into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 2002B Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Series 2002B Bonds, (VI) the Bond Interest Terms of other Series 2002B Bonds and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Any Series 2002B Bond purchased on behalf of the Lessee and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for that Series 2002B Bond shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall commence on a Business Day and end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date, but in no event shall any Bond Interest Term extend beyond the day which is three Business Days prior to the Stated Expiration Date of the Credit Facility. If for any reason a Bond Interest Term for any Series 2002B Bond cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the last day so determined shall not be a day immediately preceding a Business Day, such Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would

be after the day immediately preceding the Maturity Date, such Bond Interest Term shall end on the day immediately preceding the Maturity Date.

(B) The Bond Interest Term Rate for each Bond Interest Term for each Series 2002B Bond shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such Bond, would enable the Remarketing Agent to sell such Series 2002B Bond on the date and at the time of such determination at a price (without regard to accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Series 2002B Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 75% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and with maturities most nearly equal to the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

(ii) *Adjustment to Bond Interest Term Rates.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Credit Facility Provider, the Bond Registrar, the Tender Agent, the Paying Agent and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at Bond Interest Term Rates, *provided that* the Credit Facility then in effect or to be in effect on the effective date of the Bond Interest Term Rate Period has an interest component of at least 180 days of interest coverage. Such direction of the Lessee shall specify (1) the effective date of the Bond Interest Term Rate Period (during which the Series 2002B Bonds shall bear interest at Bond Interest Term Rates), which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur; *provided that*, if prior to the Lessee's making such election any Series 2002B Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Bond Interest Term Rate Period shall not precede such redemption date; and (C) in the case of an adjustment from a Daily Interest Rate Period or a Weekly Interest Rate Period, the day immediately following the last day of such Interest Rate Period; and (2) the date on which holders of Series 2002B Bonds are required to deliver such Series 2002B Bonds for purchase (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and a form of the notice to be mailed by the Bond Registrar to the holders of the Series 2002B Bonds as provided in Section 2.04(c)(iii). During each Bond Interest Term Rate Period commencing on the date so specified and ending, with respect to each Series 2002B Bond, on the day immediately preceding the effective date of the next succeeding Interest Rate Period with respect to such Series 2002B Bond, each Series 2002B Bond shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Series 2002B Bond.

(iii) *Notice of Adjustment to Bond Interest Term Rates.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Bond Interest Term Rate Period to the holders of the Series 2002B Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Bond Interest Term Rate Period. Such notice shall state (1) that the Series 2002B Bonds shall bear interest at Bond Interest Term Rates unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) that during such Bond Interest Term Rate Period, each Bond will have one or more consecutive Bond Interest Terms during each of which such Bond will bear a Bond Interest Term Rate, (3) the scheduled effective date of such Bond Interest Term Rate Period, (4) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date of such Bond Interest Term Rate Period and setting forth the Purchase Price applicable thereto and (5) if the Series 2002B Bonds are no longer Book-Entry Bonds, information with respect to the required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g).

(iv) *Adjustment from Bond Interest Term Rate Period.* At any time during a Bond Interest Term Rate Period, the Lessee may elect, pursuant to Section 2.04(a)(ii), 2.04(b)(ii) or 2.04(d)(ii) (and with the notice provided in such Sections), but subject to Section 2.04(h), that the Series 2002B Bonds no longer shall bear interest at Bond Interest Term Rates and shall instead bear interest at a Weekly Interest Rate, a Long-Term Interest Rate or a Daily Interest Rate, as specified in such election.

The date on which all Bond Interest Terms determined shall end shall be the last day of the then-current Bond Interest Term Rate Period and the day next succeeding such date shall be the effective date of the Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period elected by the Lessee.

(d) (i) *Determination of Daily Interest Rate.* During each Daily Interest Rate Period, the Series 2002B Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2002B Bonds, would enable the Remarketing Agent to sell the Series 2002B Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day

was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided herein for such Daily Interest Rate Period.

(ii) *Adjustment to Daily Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at a Daily Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Daily Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders of Series 2002B Bonds are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) and by a form of notice to be mailed to the holders of the Series 2002B Bonds by the Bond Registrar as provided in Section 2.04(d)(iii). During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period or the Maturity Date, the interest rate borne by the Series 2002B Bonds shall be a Daily Interest Rate.

(iii) *Notice of Adjustment to Daily Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the holders of the Series 2002B Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Daily Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 2002B Bonds will be adjusted to a Daily Interest Rate (unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Weekly Interest Rate Period or a Bond Interest Term Rate Period, shall continue to bear interest at the Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Daily Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for

purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(e) The determination of the Daily Interest Rate, Weekly Interest Rate and Long-Term Interest Rate and each Bond Interest Term and Bond Interest Term Rate by the Remarketing Agent, shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Bond Registrar, the Tender Agent, the Authenticating Agent, the Agency, the Lessee, the Paying Agent, the Credit Facility Provider and the holders of the Series 2002B Bonds.

(f) [Reserved]

(g) In the event that the Lessee shall elect to convert the interest rate on the Series 2002B Bonds to a Weekly Interest Rate, Bond Interest Term Rates, Long-Term Interest Rate or Daily Interest Rate as provided in Sections 2.04(a)(ii), 2.04(b)(ii), 2.04(c)(ii) or 2.04(d)(ii), then the written direction furnished by the Lessee to the Agency, the Trustee, the Credit Facility Provider, if any, the Bond Registrar, the Tender Agent, and the Remarketing Agent, if any, as required by such Sections shall be made by first class mail, or by telex or telecopy, confirmed by first class mail. Any such direction of the Lessee shall specify whether the Series 2002B Bonds are to bear interest at the Weekly Interest Rate, Bond Interest Term Rates, the Long-Term Interest Rate or the Daily Interest Rate and shall be accompanied by a copy of the notice required to be given by the Bond Registrar pursuant to Section 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii) or 2.04(d)(iii), as the case may be.

(h) Notwithstanding anything in this Section 2.04 to the contrary, in connection with any adjustment of the Interest Rate Period on the Series 2002B Bonds, the Lessee shall cause to be provided to the Agency, the Trustee, the Credit Facility Provider, if any, and the Remarketing Agent a Favorable Opinion of Bond Counsel on the effective date of such adjustment if (i) the Series 2002B Bonds have been in an Interest Rate Period not exceeding one year, including a Daily Interest Rate Period, a Weekly Interest Period, or a Bond Interest Term Rate Period, and the Lessee designates an Interest Rate Period exceeding one year or (ii) the Bonds have been in an Interest Rate Period exceeding one year and the Lessee designates an Interest Rate Period not exceeding one year or (iii) Series 2002B Bonds are to be adjusted to a new Long-Term Interest Rate Period on a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06(a)(iii) hereof. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period on the Series 2002B Bonds shall not be adjusted, and the Series 2002B Bonds shall continue to bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or Long-Term Interest Rates, as the case may be, as in effect immediately prior to such proposed adjustment in the Interest Rate Period; *provided, however,* that in the event that the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period and Bond Counsel fails to deliver such Favorable Opinion of Bond Counsel on the effective date of such adjustment, then the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C) above. In any event, if notice of such adjustment has been mailed to the owners of the Series 2002B Bonds as provided in Section 2.04 and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein

described, the Series 2002B Bonds shall continue to be subject to mandatory purchase on the date which would have been the effective date of such adjustment as provided in Section 2.05.

SECTION 2.05. Purchase of Series 2002B Bonds. (a) *Optional Tender for Purchase During Daily Interest Rate Period or Weekly Interest Rate Period.* (i) During any Daily Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 2002B Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(ii) During any Weekly Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 2002B Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, which states the principal amount of such Series 2002B Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(iii) The Tender Agent shall promptly send a copy of any notice delivered to it pursuant to this Section 2.05(a) by telecopy to the Remarketing Agent and the Credit Facility Provider. On the date for purchase specified in the notice, the beneficial owner shall effect delivery of such Series 2002B Bonds by causing the direct participant through which such beneficial owner owns such Series 2002B Bonds to transfer its interest in such Series 2002B Bonds, in an amount equal to the principal amount tendered by such beneficial owner, on the records of the Depository for such Series 2002B Bonds to the participant account of the Tender Agent with the Depository by the time specified in (iv) below.

(iv) During any Daily Interest Rate Period or Weekly Interest Rate Period when a book entry system is not in effect, an owner of a Series 2002B Bond may tender the Series 2002B Bond by delivery of the notice described above by the time set forth above and shall also deliver the Series 2002B Bond to the Tender Agent by 12:00 Noon, New York City time, on the date specified for purchase.

(b) *Mandatory Tender for Purchase On Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period.* On the day next succeeding the last day of each Bond Interest Term for a Series 2002B Bond, unless such day is the Maturity Date or the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to Section 2.05(c)), such Series 2002B Bond shall be purchased from its holder at a Purchase Price equal to the principal amount thereof payable in immediately available funds. The Purchase Price of any Bond so purchased shall be payable only upon (i) if a book entry system is not in effect, surrender of such Series 2002B Bond to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Bond to the Tender Agent on the records of the Depository.

(c) *Mandatory Tender for Purchase on First Day of Each Interest Rate Period.* The Series 2002B Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period had one of the events specified in Sections 2.04(b)(ii)(D) or 2.04(h) not occurred which resulted in the interest rate on the Series 2002B Bonds not being adjusted, at a Purchase Price, payable in immediately available funds, equal to the principal amount of the Series 2002B Bonds or, in the case of a purchase on the first day of an Interest Rate Period (including a Long-Term Interest Rate Period) which shall be preceded by a Long-Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would have been applicable to the Series 2002B Bonds on such mandatory purchase date if such preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest if any.

(d) *Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of the Credit Facility.* If at any time the Trustee shall give notice in accordance with Section 3.04 that the Series 2002B Bonds that, at such time, are subject to payment under a Credit Facility then in effect shall on the date specified in such notice cease to be payable from such Credit Facility as a result of (A) the termination or expiration of the term of such Credit Facility, or (B) such Credit Facility being replaced, in either case with the effect that the Series 2002B Bonds are no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained), then on the fifth calendar day preceding any termination, expiration, or replacement of the Credit Facility, such Series 2002B Bonds shall be purchased or deemed purchased as provided herein. The Purchase Price for such Series 2002B Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(e) *Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement.* When the Series 2002B Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate, all Series 2002B Bonds shall be subject to mandatory tender for purchase on the fifth Business Day (or the next succeeding Business Day if such day is not a Business Day) following receipt by the Trustee of notice from a Credit Facility Provider which has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds. The Trustee shall give prompt notice to the Remarketing Agent of receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepaid, to the owners of the Series 2002B Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that an Event of Default has occurred under the Credit Facility Agreement and that the Series 2002B Bonds are subject to mandatory tender for purchase. The Purchase Price for such Series 2002B Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(f) *Mandatory Tender for Failure of Credit Facility Provider to Reinstate Interest.* In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated. The Trustee shall give prompt notice to the Remarketing Agent or receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepared, to the owners of the Series 2002B Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that the interest component of the Credit Facility will not be reinstated and that the Series 2002B Bonds are subject to mandatory tender for purchase. The Purchase Price for the Series 2002B Bond shall be equal to the principal amount thereof, plus accrued interest (if any).

(g) *Notice of Mandatory Tender for Purchase.* In connection with any mandatory tender for purchase of Series 2002B Bonds in accordance with Sections 2.05(c), 2.05(d), 2.05(e) or 2.05(f), the Trustee shall give notice of a mandatory tender for purchase as a part of the notice given pursuant to Sections 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii), 2.04(d)(iii), 2.05(e), 2.05(f) or 3.04. Such notice shall state (A) in the case of a mandatory tender for purchase pursuant to Section 2.05(c), the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase pursuant to Sections 2.05(d) and 3.04 hereof, that the Applicable Credit Facility will expire, terminate, or be replaced and that the Series 2002B Bonds shall no longer be payable from such Credit Facility then in effect and that any rating applicable thereto may be reduced or withdrawn; (C) in the case of a mandatory tender for purchase pursuant to Section 2.05(e), that an Event of Default has occurred under the Applicable Credit Facility Agreement; (D) in the case of a mandatory tender for purchase pursuant to Section 2.05(f), that the interest component of the Credit Facility will not reinstated; (E) that the Purchase Price of any Series 2002B Bond so subject to mandatory purchase shall be payable only upon (i) if a book entry system is not in effect, surrender of such Bond to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of

transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Series 2002B Bond to the Tender Agent on the records of the Depository; (F) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Series 2002B Bonds by the Remarketing Agent or through the Credit Facility (or if such sources are insufficient, through payments by the Lessee or the Guarantor), all Series 2002B Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if any owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase (or if a book entry system is in effect, effect the transfer of ownership rights to the Tender Agent on the records of the Depository) on such mandatory purchase date, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent as described in Article V, then such Series 2002B Bond shall be deemed to be an "Undelivered Bond", and that no interest shall accrue thereon on and after such mandatory purchase date and that the holder thereof shall have no rights under the Indenture other than to receive payment of the Purchase Price thereof; and (G) in the event that moneys sufficient to pay the Purchase Price of such Series 2002B Bonds have not been provided to the Tender Agent, that such Series 2002B Bonds shall not be purchased or deemed purchased and shall continue to bear interest as if such failed purchase shall not have occurred. In connection with any mandatory tender for purchase of Series 2002B Bonds in accordance with Section 2.05(d) as a result of the termination, expiration, or replacement of an Applicable Credit Facility, such notice also shall (W) describe generally the Credit Facility, if any, in effect prior to such termination, expiration, or replacement and the Alternate Credit Facility, if any, in effect or to be in effect upon such termination, expiration, or replacement and identify the provider of such Alternate Credit Facility, (X) state the date of such termination, expiration, or replacement, and the date of the proposed provision of the Alternate Credit Facility, if any, (Y) specify the ratings, if any, to be applicable to such Series 2002B Bonds after such termination, expiration, or replacement of the Credit Facility, or state that no ratings will be assigned to such Series 2002B Bonds subsequent to such termination, expiration, or replacement of the Credit Facility, and (Z) describe any special restrictions or procedures (if any) applicable to the registration of transfer of such Series 2002B Bonds. The Lessee shall provide the Trustee and the Credit Facility Provider with a form of any such notice.

Subject to the provisions of Section 3.12 of the Indenture relating to Bonds held in a book entry system, for payment of the Purchase Price of any Series 2002B Bond required to be purchased pursuant to this Section 2.05 on the date specified, such Series 2002B Bond must be delivered, at or prior to 12:00 Noon, New York City time, on the date specified in such notice, to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed. In the event any such Series 2002B Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 2002B Bond need not be made until the Business Day following the date of delivery of such Series 2002B Bond, but such Series 2002B Bond shall nonetheless be deemed to be an "Undelivered Bond" and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

(h) *Irrevocable Notice Deemed to be Tender of Bond; Undelivered Series 2002B Bonds.* (i) The giving of notice by an owner of a Series 2002B Bond as provided in

Section 2.05(a) shall constitute the irrevocable tender for purchase of each such Series 2002B Bond with respect to which such notice shall have been given, regardless of whether such Series 2002B Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date as provided in Section 2.05, *provided* that moneys sufficient to pay the Purchase Price of such Series 2002B Bonds are on deposit with the Tender Agent for such purpose.

(ii) The Tender Agent may refuse to accept delivery of any Series 2002B Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Series 2002B Bond as herein described. If any holder of a Series 2002B Bond who shall have given notice of tender of purchase pursuant to Section 2.05(a), if a book entry system is not in effect, shall fail to deliver such Series 2002B Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 2002B Bond properly endorsed, or, if a book entry system is in effect, shall fail to cause its beneficial ownership to be transferred to the Tender Agent on the records of the Depository, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent for such purpose, such Series 2002B Bond shall be deemed to be an "Undelivered Bond". If funds in the amount of the Purchase Price of the Undelivered Bonds (including the Undelivered Bonds referred to in Section 2.05(g)) are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the Purchase Price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its principal office for delivery of Series 2002B Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

SECTION 2.06. Redemption Provisions. The Series 2002B Bonds shall be subject to redemption prior to maturity as follows:

(a) Optional Redemption

(i) During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(ii) On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(iii) (a) The Series 2002B Bonds shall be subject to redemption in whole or in part on any date prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices
August 1, 2012 through July 31, 2013	101%
August 1, 2013 through July 31, 2014	100-1/2%
August 1, 2014 and thereafter	100%

(b) During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or, if approved by a Favorable Opinion of Bond Counsel as provided in Section 2.04(b)(ii), during the periods specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as a percentage of principal amount) hereinafter indicated (or specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES
greater than 15	after 10 years at 102%, declining by 1% every year to 100%
less than or equal to 15 and greater than 10	after 7 years at 102%, declining by 1% every year to 100%
less than or equal to 10 and greater than 7	after 5 years at 102%, declining by 1%

	every year to 100%
less than or equal to 7 and greater than 4	after 3 years at 101%, declining by 1% after a year to 100%
less than or equal to 4	after 2 years at 100%

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

(v) Extraordinary Optional Redemption Without Premium. The Series 2002B Bonds are further subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

(b) Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002B Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or

substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with interest accrued to the date of redemption, and without premium.

(c) Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

(d) Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

(e) Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

(f) Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015	$15,140,000
2016	$16,425,000
2017	$17,825,000
2018	$19,340,000
2019	$20,980,000

2020	$22,765,000
2021	$24,700,000
2022	$26,800,000
2023	$29,080,000
2024	$31,550,000
2025	$34,230,000
2026	$37,140,000
2027	$40,300,000
2028*	$43,725,000

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation in accordance with Sections 5.06(e), (f) and (g) of the Indenture.

(g) Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. Payment of such Redemption Price with respect to the Series 2002B Bonds shall constitute the full and complete payment and satisfaction to the Holders for any claim, damages, costs or expenses arising out of such Determination of Taxability. All of the Series 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

(h) Redemption of Series 2002B Bonds permitted or required by this Section 2.06 shall be made as follows, and the Trustee shall give the notice of redemption referred to and in accordance with Section 6.03 of the Indenture in respect of each such redemption.

(1) Redemption shall be made pursuant to the optional redemption provisions of Section 2.06(a) hereof at such times as are permitted thereunder and in such principal amounts as the Lessee shall request in a written notice to the Agency and Trustee; and

(2) Redemption shall be made pursuant to the optional redemption provision of Section 2.06(b) and the mandatory redemption provisions of Sections 2.06 (c), (d), (e), (f) and (g) hereof, without the necessity of any instructions or further act of the Agency (other than the determination by the Agency described in Section 2.06(b) hereof) or the Lessee.

(i) Under no circumstances shall the Trustee be required to use any of its own funds to effect any redemption of Series 2002B Bonds.

(j) If all Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs (a) through (g), then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(k) If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

SECTION 2.07. Execution of Series 2002B Bonds. The Series 2002B Bonds shall be executed on behalf of the Agency by the manual or facsimile signature of the Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director of the Agency, and the seal of the Agency shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Series 2002B Bonds. In case one or any of the officers who shall have signed or attested the Series 2002B Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series 2002B Bonds so signed and attested shall have been actually issued and delivered, the Series 2002B Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Series 2002B Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002B Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 2.08. Authentication. Only such Series 2002B Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Bond in the recitals of this Second Series Supplemental Indenture, duly executed by the Trustee, shall be entitled to any right or benefit under the Indenture. No Series 2002B Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until such certificate of authentication on such Series 2002B Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Series 2002B Bond

shall be conclusive evidence that such Series 2002B Bond has been duly authenticated and delivered under the Indenture. The Trustee's certificate of authentication on any Series 2002B Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Series 2002B Bonds.

SECTION 2.09. Book-Entry Bonds; Depository for the Series 2002B Bonds. The Series 2002B Bonds shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002B Bonds.

SECTION 2.10. Tax-Exempt Bond. The Series 2002B Bonds shall be issued as Tax-Exempt Bonds.

ARTICLE III.

CREDIT FACILITIES

SECTION 3.01. Credit Facility for Series 2002B Bonds. (a) Upon conversion of the Series 2002B Bonds to a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rate, a Credit Facility shall be required to be delivered by the Lessee to the Trustee, and the Trustee is hereby directed, on or prior to each Interest Payment Date, to make a drawing under the Credit Facility relating to the Series 2002B Bonds no later than the time provided in such Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on such date, equal to the interest on Series 2002B Bonds then payable from the Credit Facility due on such Interest Payment Date (other than such interest representing a portion of the Purchase Price of any Series 2002B Bonds required to be purchased on such date and other than any interest due on Bank Bonds) and to use such drawing to pay such interest due on the Series 2002B Bonds on such Interest Payment Date. The proceeds of such drawing shall be deposited in the Series 2002B Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of interest on such Series 2002B Bonds. The Trustee shall direct that the proceeds of any such drawing shall then be transferred directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of any such interest then due, the Trustee shall not take into consideration any interest due on any Series 2002B Bond for any period when such Series 2002B Bond is a Bank Bond or for any Series 2002B Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, AMR or the Lessee or any affiliate of any of them, and no drawings under the Credit Facility shall be made, or be used, to pay interest on any Series 2002B Bond for any period when such Series 2002B Bond is a Bank Bond or for any Series 2002B Bonds owned by the Agency, AMR or the Lessee or any affiliate of any of them.

(b) On or prior to each date on which a payment of principal or redemption premium (if any) on any Series 2002B Bonds then payable from the Credit Facility is due either by maturity or as a result of any mandatory or optional redemption of such Series 2002B Bonds or any acceleration of the maturity of such Series 2002B Bonds or otherwise (in each case, other than an amount representing the principal portion of the Purchase Price of any such Series 2002B Bonds required to be purchased on such date and other than any principal due on Bank Bonds),

the Trustee is hereby directed to make a drawing under the Credit Facility no later than the time provided in the Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on the date such principal or redemption premium (if covered by such Credit Facility) is payable, equal to the amount of such principal payment and, if covered by the Credit Facility then in effect, redemption premium, and accrued interest, and to use such drawing to make such payment. The proceeds of such drawing shall be deposited in the Series 2002B Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of the principal and premium (if applicable) of such Series 2002B Bonds. The Trustee shall then transfer the proceeds of any such drawing directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of such principal and premium (if applicable) then due, the Trustee shall not take into consideration any principal or redemption premium, if any, required on Bank Bonds or for any Series 2002B Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, the Lessee, AMR or any affiliate of any of them, and no drawings under the Credit Facility shall be made or be used to pay any principal or redemption premium, if any, of Bank Bonds or for any Series 2002B Bonds owned by the Agency or the Lessee or any affiliate of either of them.

(c) If at any time there shall have been delivered to the Trustee an Alternate Credit Facility pursuant to Section 3.02 of this Second Series Supplemental Indenture, together with the documents required by such Section 3.02, then the Trustee shall accept such new Credit Facility and surrender the previously held Credit Facility for cancellation in accordance with the terms of such previously held Credit Facility, *provided that* no such surrender shall occur until after the date on which the Series 2002B Bonds that are subject to mandatory purchase in accordance with Section 2.05(d) are so purchased. If at any time all of the Series 2002B Bonds then secured by a Credit Facility shall have been defeased pursuant to Article X of the Indenture, the Trustee shall surrender such Credit Facility in effect prior to such defeasance to the issuer or provider thereof in accordance with the terms of such Credit Facility for cancellation. The Trustee shall comply with the procedure set forth in the Credit Facility relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Credit Facility in accordance with the provisions thereof.

(d) In connection with the replacement, termination, or expiration, of the Credit Facility requiring mandatory purchase of Series 2002B Bonds as provided in Section 2.05(d) hereof, the Bond Registrar is hereby directed to give the notice of mandatory tender for purchase of the Series 2002B Bonds as provided in Section 2.05(g).

(e) Money received pursuant to draws on a Credit Facility shall only be applied to the payment of principal (except for principal on any Bank Bonds), redemption premium (if any, excluding premium due on Bank Bonds, and only to the extent provided for by such Credit Facility), Purchase Price (only to the extent provided for by such Credit Facility) or interest on the Series 2002B Bonds (except for any interest accruing on the Series 2002B Bonds while such Series 2002B Bonds are Bank Bonds), or, if not needed for such purpose, shall be returned to the Credit Facility Provider to the extent that the Credit Facility Provider has not been reimbursed by the Lessee for draws made on the Credit Facility and otherwise to the Lessee.

(f) Upon delivery of a Credit Facility to the Trustee with respect to the Series 2002B Bonds, the Trustee shall establish and maintain a separate and segregated account within the Bond Fund entitled the "Series 2002B Credit Facility Account". Monies or the proceeds from the investment of such monies deposited in such account received shall be held separate and apart from all other monies in the Bond Fund, including specifically all monies transferred from the Lease Payments Fund to the Bond Fund.

SECTION 3.02. Alternate Credit Facility for Series 2002B Bonds. If at any time there shall be delivered to the Trustee (i) an Alternate Credit Facility, (ii) a Favorable Opinion of Bond Counsel, (iii) either (A) written evidence from Moody's, if the Series 2002B Bonds are then rated by Moody's, and S&P, if the Series 2002B Bonds are then rated by S&P, in each case to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and stating the ratings of the Series 2002B Bonds after substitution of such Alternate Credit Facility or (B) a statement of the Lessee that no ratings have been obtained, (iv) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel that no registration of the Series 2002B Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, and (v) an Opinion of Counsel satisfactory to the Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, (vi) all information required to give the notice of mandatory tender for purchase of the Series 2002B Bonds as required by Section 2.05(d), then the Trustee shall accept such Alternate Credit Facility and, after the date of the mandatory tender for purchase established pursuant to Section 2.05(d), promptly (x) surrender the Credit Facility then in effect to the Credit Facility Provider which issued such Credit Facility in accordance with its terms for cancellation or (y) deliver any document necessary to reduce the coverage of such Credit Facility to zero.

SECTION 3.03. Rights and Duties under Credit Facilities Relating to Series 2002B Bonds. If a Credit Facility securing the Series 2002B Bonds has been delivered to the Trustee by the Credit Facility Provider, the Trustee is hereby instructed, without further direction, to draw amounts under such Credit Facility or such Alternate Credit Facility as may be substituted therefor in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in this Second Series Supplemental Indenture. If the Trustee makes a drawing under a Credit Facility relating to the Series 2002B Bonds after the principal of the Series 2002B Bonds shall have been declared immediately due and payable following the occurrence of an Event of Default with respect to the Series 2002B Bonds, the proceeds of such drawing shall be applied by the Trustee as promptly as practicable to the payment of the Series 2002B Bonds entitled to be paid therefrom. So long as a Credit Facility remains in effect with respect to any Series 2002B Bonds, the Trustee may not waive any Event of Default with respect to the Series 2002B Bonds if a drawing has been made under the Credit Facility, all or any portion of which is subject to reinstatement as provided in the Credit Facility relating thereto, and such reinstatement has not yet occurred. The Agency agrees that the Trustee in its name or in the name of the Agency may enforce all rights of the Trustee and of the Agency and all obligations of any Credit Facility Provider (including the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility) under and pursuant to the Credit Facility, for the benefit of the holders of the Series 2002B Bonds. The Trustee agrees to assume and perform the duties and obligations contemplated under any Credit Facility to be assumed and performed by the Trustee.

SECTION 3.04. Notice of Termination or Other Change in Credit Facility for Series 2002B Bonds. The Trustee shall give notice by mail to the holders of the Series 2002B Bonds then payable from the Credit Facility (if any) on or before the 15th day preceding the replacement, termination or expiration of such Credit Facility in accordance with its terms, which notice shall, to the extent applicable, (1) describe generally the Credit Facility, if any, in effect prior to such replacement, termination, or expiration and the Alternate Credit Facility, if any, in effect or to be in effect upon such replacement, termination, or expiration (2) state the date of such replacement, termination, or expiration, and the date of the proposed substitution of the Alternate Credit Facility (if any), (3) specify the rating, if any, to be applicable to such Series 2002B Bonds after such replacement, termination, or expiration of the Credit Facility or state that no ratings have been obtained with respect to such Series 2002B Bonds for the period subsequent to such replacement, termination, or expiration, of the Credit Facility, and (4) state that the Series 2002B Bonds will be purchased pursuant to Section 2.05(d) on the fifth calendar day preceding such replacement, termination, or expiration. The Lessee will give the Trustee, Bond Registrar, the Remarketing Agent and Paying Agent written notification of any replacement, termination, or expiration of the Credit Facility as soon as practicable after receiving knowledge thereof. The Lessee shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice and shall provide the Trustee with the form of such notice.

SECTION 3.05. Notice by Trustee to Reduce Credit Facility. In the event that the Series 2002B Bonds shall be redeemed in whole or in part, and if a Credit Facility is then in effect with respect to the Series 2002B Bonds, the Trustee, at the written direction of the Lessee, shall give notice to the Credit Facility Provider in the manner required by the Credit Facility to reflect such reduction in the principal amount of the Series 2002B Bonds as a result of such redemption.

SECTION 3.06. Certificate of Assumption. Simultaneously with the delivery of any Credit Facility hereunder by any Credit Facility Provider, such Credit Facility Provider shall deliver to the Port Authority a Certificate of Assumption required by the Consent Agreement. Delivery of such Certificate of Assumption shall be a precondition to the acceptance by the Trustee of any Credit Facility hereunder.

ARTICLE IV.

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST

SECTION 4.01. Establishment of Accounts. The following Accounts shall be established and held within the following Funds and said Accounts shall maintained and applied by the Trustee in accordance with Article V of the Indenture:

(a) Within the Project Fund

(i) Series 2002B Construction Account

(b) Within the Bond Fund

(i) Series 2002B Principal Account

(ii) Series 2002B Interest Account

(iii) Series 2002B Redemption Account

(iv) Series 2002B Sinking Fund Redemption Account

(v) Series 2002B Debt Service Reserve Account

SECTION 4.02. Application of Series 2002B Bond Proceeds. All moneys received by the Agency from the sale of the Series 2002B Bonds shall be simultaneously disbursed as follows:

(i) $2,691,666.67 shall be deposited into the Series 2002B Interest Account of the Bond Fund;

(ii) $322,928,940.00 shall be deposited into the Series 2002B Construction Account of the Project Fund.

(iii) $36,102,660.00 shall be deposited into the Series 2002B Debt Service Reserve Account of the Bond Fund.

ARTICLE V.

REMARKETING AGENT; TENDER AGENT; PURCHASE AND REMARKETING OF SERIES 2002B BONDS

SECTION 5.01. Remarketing Agent and Tender Agent for Series 2002B Bonds. (a) In accordance with and subject to the Remarketing Agreement, the Lessee, with the consent of the Agency, shall appoint the Remarketing Agent at least thirty (30) days prior to the date that the Series 2002B Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency appoint any successor Remarketing Agent for the Series 2002B Bonds subject to the conditions set forth in Section 5.02(a). Each Remarketing Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Agency, the Credit Facility Provider and the Lessee under which such Remarketing Agent will agree, particularly, to keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Agency, the Credit Facility Provider and the Lessee at all reasonable times.

(b) The Lessee, with the consent of the Agency (such consent not to be unreasonably withheld) shall, appoint a Tender Agent at least sixty (60) days prior to the date that the Series 2002B Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency, such consent not to be unreasonably withheld or delayed, appoint any successor Tender Agent for the Series 2002B Bonds, subject to the conditions set forth in Section 5.02(b). Each Tender Agent shall designate its principal office(s) for delivery of notices and delivery of Series

2002B Bonds and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. By acceptance of its appointment hereunder, the Tender Agent agrees:

(i) to hold all Series 2002B Bonds delivered to it pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the respective owners which shall have so delivered such Series 2002B Bonds until moneys representing the Purchase Price of such Series 2002B Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) to establish and maintain a separate segregated trust fund designated as the "New York City Industrial Development Agency Special Facility Revenue Bonds Series 2002B (American Airlines, Inc. Kennedy International Airport Project), Bond Purchase Fund" (the "Series 2002B Bond Purchase Fund"), and to establish and maintain in the Series 2002B Bond Purchase Fund a remarketing account (the "Series 2002B Remarketing Account"), a Credit Facility Bond Purchase Account (the "Series 2002B Credit Facility Bond Purchase Account") and a Lessee Payments account (the "Series 2002B Lessee Payments Account"), until such time as it has been discharged from its duties as Tender Agent hereunder;

(iii) to hold all moneys (without investment thereof) delivered to it hereunder in the Series 2002B Bond Purchase Fund for the purchase of Series 2002B Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Series 2002B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iv) to hold all moneys delivered to it by the Lessee or the Guarantor for the purchase of Series 2002B Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the owners or former owners who shall deliver Series 2002B Bonds to it for purchase until the Series 2002B Bonds purchased with such moneys shall have been delivered to or for the account of the Lessee; *provided, however,* that if the Series 2002B Bonds shall at any time become due and payable, the Tender Agent shall cause such moneys (other than moneys held pursuant to Section 5.03(c)(ii)) to be deposited into the Bond Fund;

(v) to hold all Series 2002B Bonds registered in the name of the new owners thereof that have been delivered to it by the Bond Registrar for delivery to the Remarketing Agent in accordance with the Tender Agreement;

(vi) to hold Series 2002B Bonds for the account of the Lessee or the Guarantor as contemplated by Section 5.03(c); and

(vii) to keep such books and records as shall be consistent with customary industry practice and to make such books and records available for inspection by the Agency, the Trustee, the Lessee, the Credit Facility Provider and the Remarketing Agent at all reasonable times.

The Agency shall cooperate with the Lessee, the Trustee and the Bond Registrar to cause the necessary arrangements to be made and to be thereafter continued to enable the Tender Agent to perform its duties and obligations described above.

SECTION 5.02. Qualifications of Remarketing Agent and Tender Agent; Resignation; Removal. (a) The Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this Second Series Supplemental Indenture. Any successor Remarketing Agent shall have, or be a subsidiary of another corporation or a partnership which includes as a general partner an entity which shall have, senior unsecured long-term debt which shall be rated, so long as the Series 2002B Bonds shall be rated by Moody's, at least Baa3/P-3 or otherwise qualified by Moody's. The Remarketing Agent may at any time resign and be discharged of its duties and obligations hereunder upon providing the Agency, the Lessee, the Tender Agent, the Credit Facility Provider, the Paying Agent, the Bond Registrar and the Trustee with 30 days' prior written notice. Subject to the written consent of the Agency, which consent will not be unreasonably withheld or delayed, the Remarketing Agent may be removed at any time, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Trustee, the Tender Agent, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent at least 30 days prior to the effective date of such removal. In the event that the Remarketing Agent has resigned or been removed and no successor Remarketing Agent has been appointed by the Lessee, the Lessee shall appoint a temporary remarketing agent qualified under Section 5.02(a) to perform the duties of the Remarketing Agent until a successor Remarketing Agent has been appointed; *provided, however,* that no resignation or removal shall be effective unless there is a successor Remarketing Agent or a temporary remarketing agent in place.

(b) The Tender Agent shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, and, if not a bank or trust company, for so long as the Series 2002B Bonds shall be rated by Moody's, shall have senior unsecured debt which shall be rated at least Baa3/P-3 or otherwise qualified by Moody's, and in any case having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this Second Series Supplemental Indenture and the Tender Agreement. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Second Series Supplemental Indenture by giving at least 60 days' notice to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. The Tender Agent may be removed, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Tender Agent, the Trustee, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent.

Upon the effective date of resignation or removal of the Tender Agent, the Tender Agent shall deliver any Series 2002B Bonds and moneys held by it in such capacity to its successor.

SECTION 5.03. Notice of Series 2002B Bonds Delivered for Purchase; Purchase of Series 2002B Bonds. (a) The Tender Agent shall determine timely and proper delivery of Series 2002B Bonds pursuant to this Second Series Supplemental Indenture and the proper endorsement of such Series 2002B Bonds. Such determination shall be binding on the owners of such Series 2002B Bonds, the Agency, the Lessee, the Remarketing Agent, the Credit Facility Provider and the Trustee, absent manifest error. In accordance with the provisions of the Tender Agreement, the Tender Agent shall give notice by telephone, or telecopy, promptly confirmed by a written notice, to the Trustee, the Bond Registrar, the Remarketing Agent, the Credit Facility Provider

and the Lessee specifying the principal amount of Series 2002B Bonds, if any, as to which it shall receive notice of tender for purchase in accordance with Section 2.05(a).

(b) Series 2002B Bonds required to be purchased in accordance with Section 2.05 shall be purchased from the owners thereof, on the date and at the Purchase Price at which such Series 2002B Bonds are required to be purchased. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

(i) proceeds of the sale of such Series 2002B Bonds remarketed to any person pursuant to Section 5.04 and furnished to the Tender Agent by the purchasers or by the Remarketing Agent for deposit into the Remarketing Account of the Series 2002B Bond Purchase Fund; and

(ii) moneys furnished by or at the direction of the Trustee to the Tender Agent for deposit into the Series 2002B Credit Facility Bond Purchase Account of the Series 2002B Bond Purchase Fund representing moneys received from draws on the Credit Facility; and

(iii) moneys furnished by the Trustee to the Tender Agent for deposit into the Series 2002B Lessee Payment Account of the Series 2002B Bond Purchase Fund representing moneys provided to the Trustee by the Lessee or the Guarantor.

In the event that a premium is required to be paid upon the purchase of any Series 2002B Bonds as provided in Section 2.05, and the Credit Facility then in effect with respect to such Series 2002B Bonds shall not provide for the payment of a premium upon the purchase of such Bond, then moneys derived from draws on the Credit Facility shall be applied solely to the payment of principal of and interest on such Series 2002B Bonds and not to the payment of any such premium.

The Tender Agent may establish separate accounts or sub-accounts within the Series 2002B Bond Purchase Fund for such purposes as the Tender Agent may deem appropriate.

(c) (i) If a book entry system is not in effect, the Bond Registrar shall authenticate a new Series 2002B Bond or Series 2002B Bonds in an aggregate principal amount equal to the principal amount of Series 2002B Bonds purchased in accordance with Section 5.03(b), whether or not the Series 2002B Bonds so purchased are presented by the owners thereof, bearing a number or numbers not contemporaneously outstanding. Every Bond authenticated and delivered as provided in this Section 5.03 shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Series 2002B Bonds duly issued hereunder. The Bond Registrar shall maintain a record of the Series 2002B Bonds purchased as provided in this Section 5.03, together with the names and addresses of the former owners thereof and shall in the case of any Series 2002B Bonds purchased pursuant to Section 5.03(b)(ii) make a notation required to be made on the Bond Register that such Series 2002B Bonds are Bank Bonds. If a book entry system is in effect with respect to the Series 2002B Bonds, on any date on which beneficial ownership in the Series 2002B Bonds is tendered at the option of the owner of such beneficial interest (acting through its participant in the Depository) in accordance with Section 2.05(a) of this Second Series Supplemental Indenture (including transfer of the beneficial ownership interest of the tendering owner to the account of the Tender Agent at the

Depository), the Tender Agent shall transfer ownership of such beneficial ownership on the records of the Depository as provided in Section 5.05 of this Second Series Supplemental Indenture. In the event a book entry system is in effect with respect to the Series 2002B Bonds, on any date on which beneficial ownership interest in the Series 2002B Bonds is subject to mandatory tender in accordance with Section 2.05 of this Second Series Supplemental Indenture, the Tender Agent shall transfer beneficial ownership of the Series 2002B Bonds on the records of the Depository to indicate the ownership of such Series 2002B Bonds as provided in Section 5.05 of this Second Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 2002B Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

(ii) If a book entry system is not in effect, in the event any Series 2002B Bonds purchased as provided in this Section 5.03 shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the Purchase Price of such Series 2002B Bonds in trust for the benefit of the former owners of such Series 2002B Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 2002B Bonds. Any moneys which the Tender Agent shall segregate and hold in trust for the payment of the Purchase Price of any Bond remaining unclaimed for one year after the date of purchase shall, upon the Lessee's written request to the Tender Agent, be paid to the Lessee. After the payment of such unclaimed moneys to the Lessee, the former Bondholder of such Series 2002B Bonds shall look only to the Lessee for the payment thereof, and the Lessee shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. If a book entry system is in effect with respect to the Series 2002B Bonds, if the Series 2002B Bonds are subject to mandatory tender in accordance with the terms of this Second Series Supplemental Indenture, then the Tender Agent shall transfer beneficial ownership of the Series 2002B Bonds on the records of the Depository as provided in Section 5.05 of this Second Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 2002B Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

SECTION 5.04. Remarketing of Series 2002B Bonds; Notice of Interest Rates. (a) Upon notice of the tender for purchase of Series 2002B Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 2002B Bonds, any such sale to be made on the date of such purchase at a price of par plus accrued interest, if any, in accordance with Section 2.05 at the rate determined in accordance with Section 2.04. The Remarketing Agent agrees that while a Credit Facility is in effect it shall not, to its knowledge, sell any Series 2002B Bonds purchased pursuant to Section 2.05 to the Lessee or the Agency, or to any person who controls, is controlled by, or is under common control with, the Agency or the Lessee. In addition, the Remarketing Agent shall offer for sale and use its best efforts to sell any Series 2002B Bonds that are Bank Bonds. The Remarketing Agent has no duty to remarket the Series

2002B Bonds if an Event of Default with respect to the Series 2002B Bonds under the Indenture has occurred and is continuing.

(b) The Remarketing Agent shall determine the rate of interest to be borne by the Series 2002B Bonds during each Interest Rate Period and by each Bond during each Bond Interest Term for such Bond and the Bond Interest Terms for each Bond during each Bond Interest Term Rate Period as provided in Section 2.04 hereof and shall furnish to the Lessee, the Trustee and the Bond Registrar on the Business Day of determination each rate of interest and Bond Interest Term so determined by telephone or telecopy, promptly confirmed in writing or shall make such information available to the Lessee, the Trustee and the Bond Registrar by readily accessible electronic means.

(c) The Remarketing Agent shall give the Tender Agent written or telephonic notice (promptly confirmed by telex or telecopier) not later than (i) 4:00 p.m., New York City time, on the Business Day preceding the Business Day on which the Series 2002B Bonds are to be purchased pursuant to Section 2.05(a)(ii), (c), (d) or (e) or (ii) 12:00 noon, New York City time, on the Business Day on which Series 2002B Bonds are to be purchased pursuant to Section 2.05(a)(i) or (b) of the aggregate principal amount of Series 2002B Bonds subject to purchase which have not been remarketed. By 12:30 P.M., New York City time, on the Purchase Date (as defined in the Tender Agreement), the Remarketing Agent shall deliver to the Tender Agent the Purchase Price (as defined in the Tender Agreement) of the Series 2002B Bonds subject to purchase and remarketed by the Tender Agent. The Remarketing Agent shall give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Lessee, the Trustee, the Bond Registrar and the Tender Agent on each date on which Series 2002B Bonds shall have been purchased pursuant to Section 5.03(b), specifying the principal amount of Series 2002B Bonds, if any, sold by it pursuant to Section 5.04(a) along with a list of such purchasers showing the names and denominations in which such Series 2002B Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

SECTION 5.05. Delivery of Series 2002B Bonds. (a) Series 2002B Bonds purchased with moneys described in clause (i) of Section 5.03(b) shall be made available by the Bond Registrar to the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agreement.

(b) Series 2002B Bonds purchased with moneys described in clause (ii) of Section 5.03(b) shall be held by the Tender Agent as Bank Bonds pursuant to the Tender Agreement.

(c) Series 2002B Bonds purchased with moneys described in clause (iii) of Section 5.03(b) shall be held by the Tender Agent for the account of the Lessee.

(d) Series 2002B Bonds delivered as provided in this Section 5.05 shall be registered in the manner directed by the recipient thereof or in the Tender Agreement.

SECTION 5.06. Delivery of Proceeds of Sale. The proceeds of the sale by the Remarketing Agent of any Series 2002B Bonds delivered to it by, or held by it for the account of, the Trustee or the Lessee, or delivered to it by any other Bondholder, shall be turned over to the Tender Agent as provided in the Tender Agreement.

SECTION 5.07. Draws on Credit Facility to Pay Purchase Price of Series 2002B Bonds. The Trustee, on each day on which Series 2002B Bonds are required to be purchased pursuant to Section 2.05, is directed, in accordance with the provisions of the Tender Agreement, to make drawings under a Credit Facility relating thereto by such times and in such manner as shall be required to receive in immediately available funds on such date amounts sufficient to pay the Purchase Price plus accrued interest, if any, of Series 2002B Bonds then payable from such Credit Facility tendered for purchase or required to be purchased pursuant to the provisions of this Second Series Supplemental Indenture that have not been remarketed by the Remarketing Agent, and to deposit the proceeds of such drawings or cause such proceeds to be deposited in the Series 2002B Credit Facility Bond Purchase Account of the Series 2002B Bond Purchase Fund pending application of such moneys to the payment of the Purchase Price of such Series 2002B Bonds. In determining the amount of any such Purchase Price then due, the Trustee shall not take into consideration any Purchase Price due on Series 2002B Bonds held by the Agency or the Lessee or any affiliate of either of them, and no drawings under the Credit Facility shall be made or be used to pay the Purchase Price of any Bank Bonds or Series 2002B Bonds held by the Agency or the Lessee or any affiliate of either of them.

ARTICLE VI.

MISCELLANEOUS

SECTION 6.01. Partial Invalidity. In case any one or more of the provisions of this Second Series Supplemental Indenture or of the Series 2002B Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture, the Second Series Supplemental Indenture or of the Series 2002B Bonds, but the Indenture, the Second Series Supplemental Indenture and the Series 2002B Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Series 2002B Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 6.02. Counterparts. This Second Series Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.03. Laws Governing Second Series Supplemental Indenture. THE EFFECT AND MEANING OF THIS SECOND SERIES SUPPLEMENTAL INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 6.04. No Pecuniary Liability of Agency Members. No provision, covenant or agreement contained in this Second Series Supplemental Indenture or in the Series 2002B Bonds or any obligations herein or therein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this Second Series Supplemental Indenture, the Agency has not obligated itself except with

respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal, Purchase Price or Redemption Price, if any, of and interest on the Series 2002B Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Series 2002B Bonds.

SECTION 6.05. Indenture to Remain In Effect. Save and except as supplemented by this Second Series Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 6.06. Date for Reference Purposes Only. The date of this Second Series Supplemental Indenture shall be for reference purposes only and shall not be construed to imply that this Second Series Supplemental Indenture was executed on the date first above written. This Second Series Supplemental Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this Second Series Supplemental Indenture of Trust to be executed in its name and behalf by its Chairperson, General Counsel, Vice Chairperson or Executive Director or Deputy Executive Director and to evidence its acceptance of the trust hereby created, The Bank of New York has caused this Second Series Supplemental Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By: _____
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 29th day of July, in the year two thousand and two, before me the undersigned personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Judith A. Capolongo
~~Notary Public~~

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County
Commission Expires October 23, 2003

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

APPENDIX A

SECOND SERIES SUPPLEMENTAL INDENTURE

DEFINITIONS

Bank Bonds shall mean any Series 2002B Bonds purchased with moneys described in Section 5.03(b)(ii) of the Second Series Supplemental Indenture until such Series 2002B Bonds are remarketed, as provided in the Tender Agreement.

BMA Index shall mean the rate calculated weekly, and released each Wednesday, on the basis of an index based upon the weekly interest reset rates of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data, a division of Thomson Financial Services, which meet specific criteria established by the Bond Market Association, and which is in effect on a particular day.

Bond Interest Term shall mean, with respect to any Series 2002B Bond, each period established in accordance with Section 2.04(c) of the Second Series Supplemental Indenture during which such Series 2002B Bond shall bear interest at a Bond Interest Term Rate.

Bond Interest Term Rate shall mean, with respect to each Series 2002B Bond, a term, non-variable interest rate on such Series 2002B Bond established periodically in accordance with Section 2.04(c) of the Second Series Supplemental Indenture.

Bond Interest Term Rate Period shall mean each period, consisting of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

Daily Interest Rate shall mean a variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(d) of the Second Series Supplemental Indenture.

Daily Interest Rate Period shall mean each period during which a Daily Interest Rate is in effect.

Interest Accrual Date shall mean (i) with respect to any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during that Weekly Interest Rate Period, (iii) with respect to any Long-Term Interest Rate Period, the first day thereof (which in the case of the first Long-Term Interest Rate Period, is July 1, 2002) and, thereafter, each February 1 and August 1 (in the case of the first Long-Term Interest Rate Period, commencing February 1, 2003), and (iv) with respect to each Bond Interest Term within a Bond Interest Term Rate Period, the first day thereof.

Interest Payment Date shall mean with respect to the Series 2002B Bonds (i) with respect to any Daily Interest Rate Period, the first Business Day of each calendar month, (ii) with respect to any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day, (iii) with respect to any Long-Term Interest Rate Period, each February 1 and August 1, or, if any such February 1 or August 1 shall not be a Business Day, the next succeeding Business Day without the accrual of additional interest, (iv) with respect to any Bond Interest Term Rate Period, the day next succeeding the last day of each Bond Interest Term within such Bond Interest Term Rate Period, and (v) with respect to each Interest Rate Period, the day next succeeding the last day thereof (or the day next succeeding the day that would have been the last day of such Interest Rate Period had one of the events specified in Sections 2.04(b)(ii)(D) or 2.04(h) of the Second Series Supplemental Indenture not occurred); *provided* that notwithstanding anything herein to the contrary, the first Interest Payment Date for the Series 2002B Bonds shall be February 1, 2003.

Long-Term Interest Rate shall mean a term, non-variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(b) of the Second Series Supplemental Indenture.

Long-Term Interest Rate Period shall mean each period during which a Long-Term Interest Rate is in effect.

Maximum Maturity Date shall mean December 1, 2036.

Maximum Rate shall mean the lesser of (i) 25% per annum (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof, or (iii) the maximum rate permitted by law.

Purchase Price shall mean with respect to any tender of Series 2002B Bonds pursuant to paragraphs (a) - (f) of Section 2.05 of the Second Series Supplemental Indenture, the amount specified as the "Purchase Price" in the applicable paragraph of such Section 2.05.

Remarketing Agent shall mean the initial and any successor remarketing agent appointed in accordance with Section 5.01(a) of the Second Series Supplemental Indenture.

Second Series Supplemental Indenture shall mean the Second Series Supplemental Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee authorizing the issuance of the Series 2002B Bonds.

Series 2002B Bond Purchase Fund shall mean the fund so designated which is established with the Tender Agent pursuant to the Tender Agreement and Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Bonds shall mean the $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency issued, executed, authenticated and delivered under the Indenture.

Series 2002B Construction Account shall mean the Series 2002B Construction Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture

Series 2002B Credit Facility Bond Purchase Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Debt Service Reserve Account shall mean the Series 2002B Debt Service Reserve Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Debt Service Reserve Account Requirement shall mean with respect to the Series 2002B Bonds an amount equal to the lesser of (i) the greatest amount required in the then current or any future bond year to pay the sum of interest on such Outstanding Series 2002B Bonds payable during such bond year, and the principal and sinking fund installments, if any, on such Outstanding Series 2002B Bonds payable on August 1 of such bond year, excluding interest accruing on such Series 2002B Bonds from the dated date of such Series 2002B Bonds to the date of delivery thereof, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of such Series 2002B Bonds, and (iii) 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due over the term of the Series 2002B Bonds.

Series 2002B Interest Account shall mean the Series 2002B Interest Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Lessee Payments Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Principal Account shall mean the Series 2002B Principal Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Redemption Account shall mean the Series 2002B Redemption Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Remarketing Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Remarketing Agreement shall mean any Series 2002B Remarketing Agreement entered into with respect to the Series 2002B Bonds.

Series 2002B Tender Agent shall mean any Tender Agent appointed with respect to the Series 2002B Bonds.

Series 2002B Tender Agreement shall mean any Tender Agreement entered into with respect to the Series 2002B Bonds.

Tender Agent shall mean the initial and any successor tender agent appointed in accordance with Section 5.01(b) of the Second Series Supplemental Indenture.

Weekly Interest Rate shall mean a variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(a) of the Second Series Supplemental Indenture.

Weekly Interest Rate Period shall mean each period during which a Weekly Interest Rate is in effect.

GUARANTY

From

AMERICAN AIRLINES, INC.
as Guarantor

to

THE BANK OF NEW YORK
as Trustee

Dated as of July 1, 2002

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

GUARANTY

This GUARANTY (this "Guaranty") made and entered into as of July 1, 2002 from AMERICAN AIRLINES, INC., a corporation duly organized and existing under the laws of the State of Delaware and having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, as guarantor (together with any successors or permitted assigns hereunder, the "Guarantor"), to THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"). (Capitalized terms used but not defined herein shall have the meanings assigned to them in the Master Indenture of Trust referred to below.)

W I T N E S S E T H:

WHEREAS, the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York (the "Agency"), intends to issue, in multiple series, its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in a principal amount not to exceed $2,300,000,000 (referred to herein as the "Bonds"), under and pursuant to a Master Trust Indenture, dated as of July 1, 2002 (the "Master Indenture"), as supplemented by Series Supplemental Indentures of Trust (such Master Indenture of Trust, as supplemented by Series Supplemental Indentures of Trust, and as otherwise supplemented, being referred to herein as the "Indenture"), each between the Agency and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be used to finance the cost of the acquisition, construction, equipping, design and improvement of certain airport facilities to be subleased to the Guarantor at the John F. Kennedy International Airport and to pay certain costs of issuance of the Bonds and to fund certain necessary reserves; and

WHEREAS, the Guarantor desires that the Agency issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty in order to enhance the marketability of Bonds and thereby achieve interest cost and other savings for the Guarantor, and in order to provide an inducement to the purchase of such Bonds by all who shall at any time become the registered owners of such Bonds (collectively, the "Bondholders");

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor does hereby represent, warrant, covenant and agree with the Trustee for the benefit of the Bondholders as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF GUARANTOR

Section 1.1. Guarantor Representations and Warranties. The Guarantor does hereby represent and warrant that it is a corporation duly incorporated and in good standing under the laws of the State of Delaware, has the power to enter into and perform this Guaranty and to own its corporate property and assets, has duly authorized the execution and delivery of this Guaranty by proper corporate action and neither this Guaranty, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate in any material respect any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Guarantor is a party or by which it or its property is bound, or in any material respect be in conflict with or result in a breach of or constitute a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, bylaws or any requirement of law. This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general equitable principles.

ARTICLE II

COVENANTS AND AGREEMENTS

Section 2.1. Obligations Guaranteed.

(a) The Guarantor hereby unconditionally guarantees to the Trustee for the benefit of the Bondholders (1) the full and prompt payment of the principal and purchase price of and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (2) the full and prompt payment of interest on the Bonds and, to the extent permitted by law, interest on overdue interest and premium, when and as the same shall become due and payable as provided in the Indenture. All payments by the Guarantor hereunder shall be paid in lawful money of the United States of America. Each and every default in payment of the principal or purchase price of, premium, if any, or interest on any Bond, or interest on overdue interest or premium thereon, shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor further agrees that this Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Bondholders to (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or

remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security held by or for the benefit of the Bondholders for payment of the principal or purchase price of, premium, if any, or interest on, the Bonds, or interest on overdue interest or premium on the Bonds.

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until this Guaranty shall terminate in accordance with the provisions of Section 4.1 hereof, and (with respect to paragraphs (c), (d) and (k) below, subject to Section 2.6 of this Guaranty) such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Agency contained in the Indenture, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(b) the failure to give notice to the Guarantor of the occurrence of any default or an "Event of Default" under the terms and provisions of any of this Guaranty, the AMR Guaranty, the PA Lease, the City-American Lease, the Leasehold Mortgage, the New Premises Lease, or any Security Document (collectively, the "Transaction Documents") or the termination or expiration of any of the foregoing;

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the Agency or the Guarantor in the Project Premises or any failure of title with respect to the Agency's or the Guarantor's interest in the Project Premises or the invalidity, unenforceability or termination of the PA Lease, the City-American Lease or the IDA Lease Agreement;

(d) the assignment or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty;

(e) the waiver, compromise, settlement, release or termination of the Agency's obligations, covenants or agreements contained in the IDA Lease Agreement, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(f) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of the Guarantor under the IDA Lease Agreement, or of the payment, performance or observance thereof;

(g) the extension of the time for payment of any principal or purchase price of, premium, if any, or interest on, any Bond, owing or payable on such Bond or of the time for performance of any obligations, covenants or agreements under or arising out of the Indenture or the IDA Lease Agreement or the extension or the renewal of any thereof;

(h) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or the IDA Lease Agreement;

(i) the taking or the omission to take any of the actions referred to in this Guaranty, the Indenture, the Bonds or the IDA Lease Agreement;

(j) any failure, omission or delay on the part of the Agency or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Trustee or any other person in any of the Transaction Documents, any election of remedies on the part of the Agency or the Trustee under any of the Transaction Documents, or any other act or acts on the part of the Agency, the Trustee or any of the Bondholders;

(k) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantor, the Agency or any or all of the assets of any of them, or any allegation or contest of the validity of any of the Transaction Documents or the Bonds or the disaffirmance of any of the Transaction Documents or the Bonds, in any such proceeding; it being specifically understood, consented and agreed to that this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted, and it is the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceedings;

(l) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty;

(m) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty;

(n) the damage to, or condemnation, destruction, redelivery, repossession or surrender of, all or a portion of the Project Premises or the abandonment, non-completion or curtailment of the Project Premises, or the release, substitution or replacement of any property comprising all or a portion of the Project Premises;

(o) the release, substitution or replacement of any security pledged under the Indenture;

(p) any determination of the illegality, irregularity, invalidity or unenforceability of, or any defect in, any of the Transaction Documents or the Bonds or any of the provisions thereof;

(q) any present or future law or order of any government (*de jure* or *de facto*) or of any agency thereof, purporting to reduce, amend or otherwise affect the Bonds or to vary any terms of payment thereof;

(r) any claim of immunity on behalf of the Agency or any other obligor on the Bonds or with respect to any property of the Agency or any other obligor on the Bonds;

(s) any failure of the Agency or the Trustee to mitigate damages resulting from any default by the Guarantor under the IDA Lease Agreement, by the Guarantor under this Guaranty or by the Agency under the Indenture;

(t) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor; or

(u) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 2.3. No Waiver or Set-Off. No act of commission or omission of any kind or at any time on the part of the Agency or the Trustee, or their successors and assigns, in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under this Guaranty, and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder), which the Guarantor has or may have against the Agency or the Trustee or any assignee or successor thereof shall be available hereunder to the Guarantor.

Section 2.4. Events of Default; Application of Moneys Received by Trustee.

(a) An "Event of Default" under this Guaranty shall exist if any of the following occurs and is continuing:

(1) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(1) hereof and such default continues for five Business Days from the date such payment was due;

(2) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(2) hereof and such default continues for five Business Days from the date such payment was due;

(3) the Guarantor fails to observe and perform any covenant (other than such referred to in Section 2.1(a)(1) and (2) above) of this Guaranty and such failure continues for more than sixty (60) days after written notice of such failure has been given to the Guarantor by the Trustee;

(4) any warranty, representation or other statement by the Guarantor contained in this Guaranty is false or misleading in any material respect as of the date made; or

(5) the dissolution or liquidation of the Guarantor or the commencement by the Guarantor of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; the entry of a decree or order for relief in respect of the Guarantor by a court of competent jurisdiction in an involuntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Guarantor or for any substantial part of its property and the failure of such decree, order or appointment to be discharged within 90 days after such decree, order or appointment; the assignment by the Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the Guarantor into an agreement of composition with creditors; or the taking of any action by the Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the Guarantor" as used in this subsection shall not be construed to include cessation of the corporate existence of the Guarantor resulting from either a merger or consolidation of the Guarantor into or with another entity or dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety under the conditions permitting such actions with respect to the Guarantor contained in Section 2.6 hereof.

(b) Upon an Event of Default hereunder, the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty without resorting to any security held by the Agency or the Trustee under the Indenture.

(c) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Guaranty shall, after payment of accrued fees and expenses of the Trustee and the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund created and established under Section 5.01 of the Indenture for the benefit of the Bondholders and such moneys shall be applied in accordance with the Indenture.

(d) The Trustee shall be under no obligation to institute any suit or to take any remedial action under this Guaranty, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under this Guaranty, until it shall be indemnified to its satisfaction by the Bondholders of such Applicable Series (or any other party satisfactory to the Trustee) against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its negligence or willful misconduct.

Section 2.5. Waiver of Notice; Expenses. The Guarantor hereby expressly waives notice from the Trustee or the Bondholders of their acceptance and reliance on this Guaranty. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees and expenses, that may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty or protecting the rights of the Trustee or the Bondholders following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Assignment; Dissolution or Merger of the Guarantor.

(a) The Guarantor may not assign its obligations hereunder; provided that the Guarantor may and shall assign this Guaranty to any Person to whom it assigns the PA Lease in its entirety (by operation of law or otherwise) as provided in Section 19 of the PA Lease or to whom it assigns the City-American Lease in its entirety pursuant to the City-American Lease. Except as provided in paragraph (b) below, no assignment pursuant to the preceding sentence shall release the Guarantor from any of its obligations hereunder unless 100% of the Holders of the Outstanding Bonds shall have consented to such release.

(b) Subject to the requirement that the Guarantor hereunder shall at all times be the Person that is the "Lessee" under the PA Lease and the City-American Lease, the Guarantor agrees that during the term hereof it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity unless the surviving entity or transferee, as applicable, is a solvent corporation or other solvent entity and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Agency and the Trustee, all of the obligations of the Guarantor herein (unless the Guarantor is the survivor, in which case no such written assumption shall be required). Upon any dissolution, disposition, merger or consolidation in accordance with the preceding sentence, the successor entity formed by such consolidation or into which the Guarantor is merged or to which such disposition is made shall succeed to, and be substituted for, and shall exercise every right and power of, the Guarantor under this Guaranty with the same effect as if such successor entity had been named as the Guarantor herein. Upon any dissolution or disposition in accordance with the next

preceding sentence where the Guarantor is not the surviving entity, the Guarantor shall automatically be released from all of its obligations hereunder.

Section 2.7. Benefit and Enforcement. This Guaranty shall not be deemed to create any right in, or to be in whole or in part for the benefit of, any person other than the Trustee, the Guarantor, the Bondholders and their permitted successors and assigns. This Guaranty is entered into by the Guarantor for the benefit of the Trustee, the registered owners from time to time of the Bonds and any successor Trustee or Trustees and may be enforced by or on behalf of the Bondholders only by the Trustee by such actions, suits and proceedings, at law or in equity, as it may be advised shall be necessary or expedient to preserve and protect its interest and the interests of the Bondholders hereunder. However, the Trustee shall proceed to enforce this Guaranty upon written request of the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified for its expenses and any liability to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

ARTICLE III

NOTICES

Section 3.1. Notices. All notices, certificates or other communications to the Guarantor hereunder shall be sufficiently given and shall be deemed given when delivered or when mailed by registered or certified mail, postage prepaid, to American Airlines, Inc., MD 5566, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Treasurer, with a copy to American Airlines, Inc., MD 5675, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Corporate Secretary.

ARTICLE IV

MISCELLANEOUS

Section 4.1. Effective Date; Termination. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the date of the initial delivery of and payment for the Bonds. This Guaranty shall terminate on such date as the Indenture is discharged and satisfied in accordance with Article X of the Indenture and shall be returned to the Guarantor pursuant to Section 10.01(b) of the Indenture.

Section 4.2. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but

any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty, it shall not be necessary to give any notice. In the event any provision contained in this Guaranty should be breached, and thereafter duly waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty.

Section 4.3. Amendments. This Guaranty may not be amended or modified without the consent of the Bondholders, except (i) as may be required or permitted by the provisions of this Guaranty or the Indenture; (ii) to cure any ambiguity, formal defect, omission or inconsistent provision; (iii) to add additional rights acquired in accordance with the provisions of this Guaranty; or (iv) to make any other change that does not materially adversely affect such Bondholders' interests.

Section 4.4. Entire Agreement; Counterparts. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 4.5. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

Section 4.6. Governing Law. This Guaranty shall be governed by and construed and interpreted under the laws of the State of Texas applicable to contracts made and performed within such state. Nothing contained in this Section 4.6 shall affect the right of any party to commence any action, suit or proceeding in connection with any controversy or claim arising out of or relating to this Guaranty or any alleged breach hereof in any court of competent jurisdiction.

IN WITNESS WHEREOF, the Guarantor and the Trustee have caused this Guaranty to be executed in their respective corporate names, as of the date first above written.

AMERICAN AIRLINES, INC.

By: _____
Title: Vice President - Corporate Development & Treasurer

THE BANK OF NEW YORK
as Trustee

By: _____
Title: Assistant Treasurer

GUARANTY

From

AMR CORPORATION
as Guarantor

to

THE BANK OF NEW YORK
as Trustee

Dated as of July1, 2002

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

GUARANTY

This GUARANTY (this "Guaranty") made and entered into as of July 1, 2002 from AMR CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware and having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, as guarantor (together with any successors or permitted assigns hereunder, the "Guarantor"), to THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"). (Capitalized terms used but not defined herein shall have the meanings assigned to them in the Master Indenture of Trust referred to below.)

W I T N E S S E T H:

WHEREAS, the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York (the "Agency"), intends to issue, in multiple series, its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in a principal amount not to exceed $2,300,000,000 (referred to herein as the "Bonds"), under and pursuant to a Master Trust Indenture, dated as of July 1, 2002 (the "Master Indenture"), as supplemented by Series Supplemental Indentures of Trust (such Master Indenture of Trust, as supplemented by Series Supplemental Indentures of Trust, and as otherwise supplemented, being referred to herein as the "Indenture"), each between the Agency and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be used to finance the cost of the acquisition, construction, equipping, design and improvement of certain airport facilities to be subleased to American Airlines, Inc., a Delaware corporation and a wholly-owned subsidiary of the Guarantor ("American"), at the John F. Kennedy International Airport and to pay certain costs of issuance of the Bonds and to fund certain necessary reserves; and

WHEREAS, the Guarantor desires that the Agency issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty in order to enhance the marketability of Bonds and thereby achieve interest cost and other savings for American, and in order to provide an inducement to the purchase of such Bonds by all who shall at any time become the registered owners of such Bonds (collectively, the "Bondholders");

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor does hereby represent, warrant, covenant and agree with the Trustee for the benefit of the Bondholders as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF GUARANTOR

Section 1.1. Guarantor Representations and Warranties. The Guarantor does hereby represent and warrant that it is a corporation duly incorporated and in good standing under the laws of the State of Delaware, has the power to enter into and perform this Guaranty and to own its corporate property and assets, has duly authorized the execution and delivery of this Guaranty by proper corporate action and neither this Guaranty, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate in any material respect any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Guarantor is a party or by which it or its property is bound, or in any material respect be in conflict with or result in a breach of or constitute a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, bylaws or any requirement of law. This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general equitable principles.

ARTICLE II

COVENANTS AND AGREEMENTS

Section 2.1. Obligations Guaranteed.

(a) The Guarantor hereby unconditionally guarantees to the Trustee for the benefit of the Bondholders (1) the full and prompt payment of the principal and purchase price of and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (2) the full and prompt payment of interest on the Bonds and, to the extent permitted by law, interest on overdue interest and premium, when and as the same shall become due and payable as provided in the Indenture. All payments by the Guarantor hereunder shall be paid in lawful money of the United States of America. Each and every default in payment of the principal or purchase price of, premium, if any, or interest on any Bond, or interest on overdue interest or premium thereon, shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor further agrees that this Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Bondholders to (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or

remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security held by or for the benefit of the Bondholders for payment of the principal or purchase price of, premium, if any, or interest on, the Bonds, or interest on overdue interest or premium on the Bonds.

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until this Guaranty shall terminate in accordance with the provisions of Section 4.1 hereof, and (with respect to paragraphs (d) and (k) below, subject to Section 2.6 of this Guaranty) such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Agency contained in the Indenture, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(b) the failure to give notice to the Guarantor of the occurrence of any default or an Event of Default under the terms and provisions of any of this Guaranty, the American Guaranty, the PA Lease, the City-American Lease, the Leasehold Mortgage, the New Premises Lease or any Security Document (collectively, the "Transaction Documents") or the termination or expiration of any of the foregoing;

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the Agency or American in the Project Premises or any failure of title with respect to the Agency's or American's interest in the Project Premises or the invalidity, unenforceability or termination of the PA Lease, the City-American Lease or the IDA Lease Agreement;

(d) the assignment or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty;

(e) the waiver, compromise, settlement, release or termination of the Agency's obligations, covenants or agreements contained in the IDA Lease Agreement, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(f) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of American under the IDA Lease Agreement, or of the payment, performance or observance thereof;

(g) the extension of the time for payment of any principal or purchase price of, premium, if any, or interest on, any Bond, owing or payable on such Bond or of the time for performance of any obligations, covenants or agreements under or arising out of the Indenture or the IDA Lease Agreement or the extension or the renewal of any thereof;

(h) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or the IDA Lease Agreement;

(i) the taking or the omission to take any of the actions referred to in this Guaranty, the Indenture, the Bonds or the IDA Lease Agreement;

(j) any failure, omission or delay on the part of the Agency or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Trustee or any other person in any of the Transaction Documents, any election of remedies on the part of the Agency or the Trustee under any of the Transaction Documents, whether or not such election impairs or might impair the subrogation rights of the Guarantor against American or any other act or acts on the part of the Agency, the Trustee or any of the Bondholders;

(k) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting American, the Guarantor, the Agency or any or all of the assets of any of them, or any allegation or contest of the validity of any of the Transaction Documents or the Bonds or the disaffirmance of any of the Transaction Documents or the Bonds, in any such proceeding; it being specifically understood, consented and agreed to that this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted, and it is the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceedings;

(l) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty;

(m) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty;

(n) the damage to, or condemnation, destruction, redelivery, repossession or surrender of, all or a portion of the Project Premises or the abandonment, non-completion

or curtailment of the Project Premises, or the release, substitution or replacement of any property comprising all or a portion of the Project Premises;

(o) the release, substitution or replacement of any security pledged under the Indenture;

(p) any determination of the illegality, irregularity, invalidity or unenforceability of, or any defect in, any of the Transaction Documents or the Bonds or any of the provisions thereof;

(q) any present or future law or order of any government (*de jure* or *de facto*) or of any agency thereof, purporting to reduce, amend or otherwise affect the Bonds or to vary any terms of payment thereof;

(r) any claim of immunity on behalf of the Agency or any other obligor on the Bonds or with respect to any property of the Agency or any other obligor on the Bonds;

(s) any failure of the Agency or the Trustee to mitigate damages resulting from any default by American under the IDA Lease Agreement, by the Guarantor under this Guaranty or by the Agency under the Indenture;

(t) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor; or

(u) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 2.3. No Waiver or Set-Off. No act of commission or omission of any kind or at any time on the part of the Agency or the Trustee, or their successors and assigns, in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under this Guaranty, and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder), which the Guarantor has or may have against the Agency or the Trustee or any assignee or successor thereof shall be available hereunder to the Guarantor.

Section 2.4. Events of Default; Application of Moneys Received by Trustee.

(a) An "Event of Default" under this Guaranty shall exist if any of the following occurs and is continuing:

(1) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(1) hereof and such default continues for five Business Days from the date such payment was due;

(2) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(2) hereof and such default continues for five Business Days from the date such payment was due;

(3) the Guarantor fails to observe and perform any covenant (other than such referred to in Section 2.1(a)(1) and (2) above) of this Guaranty and such failure continues for more than sixty (60) days after written notice of such failure has been given to the Guarantor by the Trustee;

(4) any warranty, representation or other statement by the Guarantor contained in this Guaranty is false or misleading in any material respect as of the date made; or

(5) the dissolution or liquidation of the Guarantor or the commencement by the Guarantor of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; the entry of a decree or order for relief in respect of the Guarantor by a court of competent jurisdiction in an involuntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Guarantor or for any substantial part of its property and the failure of such decree, order or appointment to be discharged within 90 days after such decree, order or appointment; the assignment by the Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the Guarantor into an agreement of composition with creditors; or the taking of any action by the Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the Guarantor" as used in this subsection shall not be construed to include cessation of the corporate existence of the Guarantor resulting from either a merger or consolidation of the Guarantor into or with another entity or dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety under the conditions permitting such actions with respect to the Guarantor contained in Section 2.6 hereof.

(b) Upon an Event of Default hereunder, the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty without resorting to any security held by the Agency or the Trustee under the Indenture.

(c) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Guaranty shall, after payment of accrued fees and expenses of the Trustee and the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund created and established under Section 5.01 of the Indenture for the benefit of the Bondholders and such moneys shall be applied in accordance with the Indenture.

(d) The Trustee shall be under no obligation to institute any suit or to take any remedial action under this Guaranty, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under this Guaranty, until it shall be indemnified to its satisfaction by the Bondholders of such Applicable Series (or any other party satisfactory to the Trustee) against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its negligence or willful misconduct.

Section 2.5. Waiver of Notice; Expenses. The Guarantor hereby expressly waives notice from the Trustee or the Bondholders of their acceptance and reliance on this Guaranty. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees and expenses, that may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty or protecting the rights of the Trustee or the Bondholders following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Assignment; Dissolution or Merger of the Guarantor.

(a) The Guarantor may assign this Guaranty to any Person. Except as provided in paragraph (b) below, no assignment pursuant to the preceding sentence shall release the Guarantor from any of its obligations hereunder unless 100% of the Holders of the Outstanding Bonds shall have consented to such release.

(b) The Guarantor agrees that during the term hereof it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity unless the surviving entity or transferee, as applicable, is a solvent corporation or other solvent entity and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Agency and the Trustee, all of the obligations of the Guarantor herein (unless the Guarantor is the survivor, in which case no such written assumption shall be required). Upon any dissolution, disposition, merger or consolidation in accordance with the preceding sentence, the successor entity formed by such consolidation or into which the Guarantor is merged or to which such disposition is made shall succeed to, and be substituted for, and shall exercise every right and power of, the Guarantor under this Guaranty with the same effect as if such successor entity had been named as the Guarantor herein. Upon any dissolution or disposition in accordance with the next preceding sentence where the Guarantor is not the surviving entity, the Guarantor shall automatically be released from all of its obligations hereunder.

Section 2.7. Benefit and Enforcement. This Guaranty shall not be deemed to create any right in, or to be in whole or in part for the benefit of, any person other than the Trustee, the Guarantor, the Bondholders, and their permitted successors and assigns. This

Guaranty is entered into by the Guarantor for the benefit of the Trustee, the registered owners from time to time of the Bonds and any successor Trustee or Trustees and may be enforced by or on behalf of the Bondholders only by the Trustee by such actions, suits and proceedings, at law or in equity, as it may be advised shall be necessary or expedient to preserve and protect its interest and the interests of the Bondholders hereunder. However, the Trustee shall proceed to enforce this Guaranty upon written request of the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified for its expenses and any liability to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

ARTICLE III

NOTICES

Section 3.1. Notices. All notices, certificates or other communications to the Guarantor hereunder shall be sufficiently given and shall be deemed given when delivered or when mailed by registered or certified mail, postage prepaid, to AMR Corporation, MD 5566, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Treasurer, with a copy to AMR Corporation, MD 5675, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Corporate Secretary.

ARTICLE IV

MISCELLANEOUS

Section 4.1. Effective Date; Termination. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the date of the initial delivery of and payment for the Bonds. This Guaranty shall terminate on such date as the Indenture is discharged and satisfied in accordance with Article X of the Indenture and shall be returned to the Guarantor pursuant to Section 10.01(b) of the Indenture.

Section 4.2. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty, it shall not be necessary to give any notice. In the event any provision contained in this Guaranty should be breached, and thereafter duly waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or

course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty.

Section 4.3. Amendments. This Guaranty may not be amended or modified without the consent of the Bondholders, except (i) as may be required or permitted by the provisions of this Guaranty or the Indenture; (ii) to cure any ambiguity, formal defect, omission or inconsistent provision; (iii) to add additional rights acquired in accordance with the provisions of this Guaranty; or (iv) to make any other change that does not materially adversely affect such Bondholders' interests.

Section 4.4. Entire Agreement; Counterparts. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 4.5. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

Section 4.6. Governing Law. This Guaranty shall be governed by and construed and interpreted under the laws of the State of Texas applicable to contracts made and performed within such state. Nothing contained in this Section 4.6 shall affect the right of any party to commence any action, suit or proceeding in connection with any controversy or claim arising out of or relating to this Guaranty or any alleged breach hereof in any court of competent jurisdiction.

IN WITNESS WHEREOF, the Guarantor and the Trustee have caused this Guaranty to be executed in their respective corporate names, as of the date first above written.

AMR CORPORATION

By: _____
Title: Senior Vice President - Finance and Chief Financial Officer

THE BANK OF NEW YORK
as Trustee

By: Beverly Gardner
Title: Assistant Treasurer

LEASEHOLD MORTGAGE

AND

SECURITY AGREEMENT

dated as of _____, 200_

among

AMERICAN AIRLINES, INC.,
as the Mortgagor,

THE BANK OF NEW YORK,[1]
as the Leasehold Mortgagee

and

THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY,
as the Agency

[1] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

LEASEHOLD MORTGAGE
AND SECURITY AGREEMENT[2]

This LEASEHOLD MORTGAGE AND SECURITY AGREEMENT, dated _____, 200__ (as the same may be amended from to time, this "Leasehold Mortgage"), is made by AMERICAN AIRLINES, INC., a Delaware corporation (the "Mortgagor"), whose address for notice hereunder is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, Attention: Treasurer, in favor of THE BANK OF NEW YORK[3], whose address for notice hereunder is Corporate Trust Administration, 101 Barclay Street, Floor 21W, New York, New York 10286, not in its individual capacity but solely in its capacity as Leasehold Mortgagee under the Indenture (as such term is defined in Appendix A attached hereto and made a part hereof) (the "Leasehold Mortgagee"). The New York City Industrial Development Agency (the "Agency"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York, having its principal office at 110 William Street, New York, New York 10038, joins in this Leasehold Mortgage solely for the purposes set forth in Section 20.

RECITALS

A. The Mortgagor and The Port Authority of New York and New Jersey (the "Port Authority") entered into an agreement of lease bearing Port Authority agreement number AYB-085 dated as of August 1, 1976 (as (1) amended, supplemented and modified, (2) further amended, supplemented, modified and restated by the Amended and Restated Agreement of Lease (Lease No. AYB-085R) made as of December 22, 2000 between the Mortgagor and the Port Authority, (3) amended by a First Supplemental Agreement between the Mortgagor and the Port Authority dated as of _____, 2002 and (4) the same may hereafter be amended from time to time, the "Port Authority Lease"). The Port Authority Lease covers the Premises (as defined in the Port Authority Lease), which Premises include the land located in the County of Queens, New York described on Exhibit I attached hereto and made a part hereof (such Premises, as they may be increased or decreased from time to time pursuant to the Port Authority Lease, are hereinafter referred to as the "Leasehold Mortgage Premises").[4]

B. The Mortgagor has entered into the Company Sublease Agreement (the "Company Sublease"), dated as of _____, 2002 with the Agency, pursuant to which the Mortgagor has sub-subleased to the Agency (without right of possession or any other possessory rights or remedies) the Leased Facilities.

C. The Agency has entered into the IDA Lease Agreement (as amended, the "IDA Lease Agreement") dated as of _____, 2002 with the Mortgagor, pursuant to which the

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[2] Changes may be made to the form of this document to the extent necessary to comply with legal requirements in effect at the time of recording and to ensure that the document is in recordable form.

[3] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

[4] Exhibit I will be adjusted as necessary to reflect any changes to the Leasehold Mortgage Premises between _____, 2002 and the date of recording.

Agency has sub-sub-subleased to the Mortgagor (without right of possession or any other possessory rights or remedies) the Leased Facilities.

D. Under the IDA Lease Agreement, the Mortgagor is required to make rental payments in an amount sufficient to pay all principal, interest, premium, if any, and purchase price due under the Bonds. The Agency has pledged to the Leasehold Mortgagee under the Indenture certain amounts received by or payable to the Agency under the IDA Lease Agreement. In addition, the Mortgagor has guaranteed payment of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the Lessee Guaranty and AMR (the parent company of the Mortgagor) has guaranteed payment of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the AMR Guaranty (the Lessee Guaranty and the AMR Guaranty being collectively hereinafter referred to as the "Guaranty").

E. Section 92 of the Port Authority Lease ("Section 92") permits the Mortgagor, subject to the Consent to Subleases and Leasehold Mortgage Agreement dated as of _____, 2002 among the Port Authority, the Mortgagor, AMR Corporation, New York City Industrial Development Agency and the Leasehold Mortgagee (the "Consent Agreement") and the terms and conditions of Section 92, to grant to the Leasehold Mortgagee a leasehold mortgage on the Mortgagor's leasehold interest in the Leasehold Mortgage Premises created by the Port Authority Lease. The Leasehold Mortgagee is the Leasehold Mortgagee defined in Section 92 and the Consent Agreement.

F. The Port Authority has consented to this Leasehold Mortgage pursuant to the Consent Agreement, a copy of which is attached hereto as Appendix C.

G. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor wishes to grant this Leasehold Mortgage to secure the full and timely payment and performance of all of the Secured Obligations (as herein defined).

NOW, THEREFORE, in consideration of the matters set forth above and the sum of TEN DOLLARS ($10.00) and other good and valuable consideration paid to the Mortgagor, the receipt and sufficiency of which are hereby acknowledged, and for and in consideration of the debts and trusts hereinafter mentioned, the Mortgagor hereby agrees as follows:

1. Definitions. The capitalized terms referenced in this Leasehold Mortgage and not otherwise defined herein shall have the meanings assigned to them in Appendix A attached hereto and made a part hereof.

2. Interpretation of this Leasehold Mortgage and Exercise of Remedies Hereunder.

Notwithstanding anything contained in this Leasehold Mortgage to the contrary, it is hereby expressly understood and agreed that:

(a) the form of this Leasehold Mortgage is attached to the Consent Agreement as Exhibit G thereto. This Leasehold Mortgage is given in accordance with, and pursuant to, subject to, controlled by and dependent upon, the Port Authority Lease, including

without limitation Section 92, and the Consent Agreement. Section 92 and the Consent Agreement are intended by the Leasehold Mortgagee and the Mortgagor to govern in all respects the interpretation and the effectiveness and termination of this Leasehold Mortgage and the rights, remedies and obligations of the Leasehold Mortgagee and Mortgagor hereunder;

(b) this Leasehold Mortgage, including without limitation the lien created hereby, is granted solely pursuant to, and is in all events wholly subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92 (a copy of which Section 92 is attached hereto as Appendix B) and the Consent Agreement, and neither this Leasehold Mortgage, the lien created hereby, or any of the terms, covenants and conditions of this Leasehold Mortgage are intended, nor shall be construed, to expand in any way any rights or remedies of the Mortgagor or of the Leasehold Mortgagee under Section 92 or to grant any rights or remedies to the Leasehold Mortgagee, in law or in equity, which are not granted to the Leasehold Mortgagee pursuant to Section 92 or to impose any obligations or liabilities on the Port Authority;

(c) the rights of the Leasehold Mortgagee under this Leasehold Mortgage shall in all events be wholly subject to, controlled by and dependent upon Section 92 and the Consent Agreement;

(d) the exercise by the Leasehold Mortgagee of any rights and remedies under this Leasehold Mortgage must be done in full and strict compliance with the terms, covenants and conditions of Section 92 and the Consent Agreement;

(e) no waiver of performance by the Mortgagor or the Leasehold Mortgagee under this Mortgage shall be deemed to be a waiver by the Port Authority of any of its rights or remedies under the Port Authority Lease or the Consent Agreement or otherwise or of the Mortgagor's obligations under the Port Authority Lease or the Consent Agreement;

(f) any term, covenant or condition of this Leasehold Mortgage which is contrary to, or conflicts or is inconsistent with, Section 92 or the Consent Agreement shall be deemed void and of no effect;

(g) in the event of any conflict or inconsistency between any term, covenant or condition of this Leasehold Mortgage and Section 92, Section 92 shall prevail;

(h) the reference to Section 92 and the Consent Agreement in any other section of this Leasehold Mortgage shall not and shall not be deemed to have affected or limited the generality of the foregoing provisions of this Section 2; and

(i) any and all references to Section 92 and the Consent Agreement in any other section of this Leasehold Mortgage shall be construed consistently with the provisions of this Section 2.

3. Grant of Leasehold Mortgage. All conditions to the execution, delivery, effectiveness and recording of this Leasehold Mortgage pursuant to Section 92 and the Consent Agreement having been fulfilled, as security for the prompt and complete payment when due of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the Guaranty in an original principal amount equal to lesser of (i) the principal amount of the Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to the Financing Documents and (ii) $2,300,000,000 (collectively, the "Secured Obligations"), the Mortgagor hereby bargains, grants, mortgages, grants a security interest in and pledges and assigns to the Leasehold Mortgagee, and any successors and substitutes permitted under Section 92, the Mortgagor's interest in all of the following (said interest being hereinafter referred to as the "Mortgaged Property"):

(a) the leasehold estate held by the Mortgagor as the Lessee under, and created by, the Port Authority Lease in the Leasehold Mortgage Premises (including all leasehold and tenancy rights which the Mortgagor may have in and to the Leasehold Mortgage Premises pursuant to holdover, month-to-month and statutory tenancies arising out of the Port Authority Lease), including the leasehold estate held by the Mortgagor as the Lessee under, and created by, the Port Authority Lease in (i) all buildings, improvements and structures now or hereafter erected on the land shown in stipple and stipple-diagonal hatching on Exhibit 1.1 of the Port Authority Lease, (ii) all buildings, structures, fixtures, improvements and other property of the Port Authority and leased to the Mortgagor under the Port Authority Lease now or hereafter located therein, thereon or thereunder and (iii) all structures, improvements, additions, buildings, installations and facilities leased to the Mortgagor under the Port Authority Lease and located, constructed or installed, or which may now or hereafter be located, constructed or installed therein, thereon or thereunder, and the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler, fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems, and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins constructed therein, thereon or thereunder, provided, however, it is hereby understood and agreed that the Mortgagor has no leasehold estate in the AirTrain, the Cogeneration Facility, the Traffic Systems and the Distribution Portion of the System (as such terms are defined in the Port Authority Lease) and accordingly they are not part of the Leasehold Mortgage Premises;

(b) all modifications, extensions and renewals of the Port Authority Lease (to the extent it applies to the Leasehold Mortgage Premises), including, but not limited to, the right, if any, to renew or extend the Port Authority Lease (to the extent it applies to the Leasehold Mortgage Premises) for a succeeding term and all modifications to the Port Authority Lease extending the Port Authority Lease to property not included within the Leasehold Mortgage Premises on the date hereof; and

(c) subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Basic Lease, to the extent not otherwise included, all proceeds and products of any of the foregoing, including any award, compensation or insurance payment to which the Mortgagor may become entitled (and which are not either (i) required to be used for the rebuilding of the Leasehold Mortgage

Premises or (ii) not required to be paid to or retained by the landlord under the Port Authority Lease or otherwise pursuant to the Port Authority Lease or paid to or retained by the City pursuant to the Basic Lease or the Port Authority Lease) as a result of any casualty, condemnation, or other event, and all other rents, issues and profits from any of the foregoing.

TO HAVE AND TO HOLD the Mortgaged Property unto the Leasehold Mortgagee; and the Mortgagor hereby binds itself and its successors, and assigns to warrant and forever defend title to the Mortgaged Property unto the Leasehold Mortgagee, and its successors and substitutes permitted under Section 92, against every Person whomsoever lawfully claiming or to claim the same or any part thereof by, through and under the Mortgagor, and not otherwise, and subject to the terms of the Port Authority Lease. The conveyance, however, is intended as a mortgage and security agreement, and is made upon the following terms and conditions, to wit: if the Secured Obligations are paid and performed pursuant to the terms of either or both Guaranties, when the same shall become due, then this Leasehold Mortgage and all herein contained shall be null and void, and shall be released at the Mortgagor's cost and expense; otherwise, this Leasehold Mortgage shall continue in full force and effect unless terminated earlier in accordance with Section 92.

This Leasehold Mortgage shall terminate in all events upon the date of the commencement of the New American Lease (as defined in the ATL).

This Leasehold Mortgage and the lien created hereby are subordinate to the fee estate held by the City in the Leasehold Mortgage Premises and to the leasehold estate held by the Port Authority pursuant to the Basic Lease, including any extension or renewal of the Basic Lease or any new lease or Airport Lease (as defined in the Port Authority Lease) in replacement thereof. In no event shall the lien created by this Leasehold Mortgage attach to (a) the fee or any other estate held by the City in the Leasehold Mortgage Premises, (b) any other property which becomes the City's property upon the termination or expiration of the Basic Lease or (c) the leasehold estate from the City or otherwise held by the Port Authority in the Leasehold Mortgage Premises. This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument, this provision shall prevail.

This Leasehold Mortgage and the lien created hereby shall be subject to, controlled by and dependent upon the Port Authority Lease and the Consent Agreement. This Leasehold Mortgage shall not take effect and no lien shall be created hereunder or attach where the same constitutes a Wrongful Recording of the Leasehold Mortgage as defined in Section 92 of the Port Authority Lease.

The Mortgagor and the Leasehold Mortgagee acknowledge and agree that the form of this Leasehold Mortgage has not been approved or consented to by the City.

If the RNDA Effective Date occurs, the Fee Owner (as defined in the RNDA) will succeed to all of the rights of the Port Authority under this Leasehold Mortgage.

4. Representations and Warranties. The Mortgagor hereby represents and warrants that:

(a) The Mortgagor's principal place of business and chief executive office is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155.

(b) The Mortgagor has all power, statutory and otherwise, to execute and deliver this Leasehold Mortgage, to perform its obligations hereunder, and to subject the Mortgaged Property to the liens created hereby, all of which have been duly authorized by all necessary action.

(c) The Port Authority Lease and the Consent Agreement permit the creation of the liens in the Mortgaged Property created hereunder.

(d) All of the personal property and fixtures leased by the Mortgagor, a leasehold interest in which constitutes a portion of the Leasehold Mortgage Premises, is located on the real property which is covered by the Port Authority Lease and is located in Queens County, New York.

(e) The Mortgagor is a Delaware corporation duly incorporated and in good standing in the State of Delaware and is qualified to do business and is in good standing in the State of New York.

(f) Neither this Leasehold Mortgage, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Mortgagor is a party or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, by-laws, or any other requirement of law.

(g) This Leasehold Mortgage constitutes the legal, valid and binding obligation of the Mortgagor, enforceable against the Mortgagor in accordance with its terms.

(h) The Mortgagor is vested with a valid and subsisting leasehold estate created by Port Authority Lease, which leasehold estate, to the best of the Mortgagor's knowledge, is subject to no mortgage, lien, charge, pledge, assignment, security interest, conditional sale agreement or encumbrance of any kind whatsoever, other than Permitted Encumbrances.

(i) This Leasehold Mortgage is in the form required by the Consent Agreement.

(j) The Reletting Rights Effective Date has occurred.

(k) The recording of this Leasehold Mortgage is not a Wrongful Recording of the Leasehold Mortgage.

5. Leasehold Mortgage Default.

(a) As used herein, the term "Leasehold Mortgage Default" shall mean the occurrence subsequent to the Reletting Rights Effective Date of:

(i) the serving of (and during the pendency of) a Notice of Termination (as defined in Section 92) by the Port Authority to the Leasehold Mortgagee given pursuant to paragraph (l) of Section 92;

(ii) a Bonds Default (as defined in paragraph (a) of Section 92) occurring in accordance with paragraph (m)(1) of Section 92, it being agreed that such Bonds Default constitutes an event of default under this Leasehold Mortgage giving the Leasehold Mortgagee the right to foreclose this Leasehold Mortgage; or

(iii) a Bankruptcy Rejection Date (as defined in paragraph (r)(1)(i)(B) of Section 92) occurring in accordance with paragraph (r) of Section 92.

(b) Notwithstanding anything to the contrary contained in this Leasehold Mortgage, the Leasehold Mortgagee shall have no rights or remedies against the Mortgagor based upon the failure of any Bondholder to receive any payment due to it from the Trustee under the Indenture if either the Mortgagor or AMR shall have made such payment to the Trustee.

6. Remedies and Rights Upon Leasehold Mortgage Default.

(a) Remedies and Rights. At any time while a Leasehold Mortgage Default remains uncured, at the option of the Leasehold Mortgagee, to be exercised in accordance with the applicable provisions of the Indenture and Section 92, the Leasehold Mortgagee may, subject to, controlled by, and dependent upon in all respects, the applicable provisions and conditions set forth in the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, pursue the following remedies:

(i) *Foreclosure*. The Leasehold Mortgagee may institute any one or more actions of mortgage foreclosure against the Mortgaged Property, or take such other action at law or in equity for the enforcement of this Leasehold Mortgage and realization on the security herein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for payment of the Secured Obligations, together with interest from the date of default at the rate then in effect under the Indenture, and all costs of suit and attorneys' fees and expenses. The Mortgagor, for itself and anyone claiming by, through or under it, hereby agrees that the Leasehold Mortgagee shall in no manner, in law or in equity, be limited, except as herein provided and as provided in Section 92, in the exercise of its rights in the Mortgaged Property or in any other security hereunder or otherwise appertaining to the Secured Obligations, whether by any statute, rule or precedent which may otherwise require said security to be marshaled in any manner, and the Mortgagor, to the extent permitted by law, for itself and others as

aforesaid, hereby expressly waives and releases any right to or benefit thereof. The failure to make any tenant or subtenant a defendant to a foreclosure proceeding shall not be asserted by the Mortgagor as a defense in any proceeding instituted by the Leasehold Mortgagee to collect the Secured Obligations or any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

(ii) *Excess Monies*. Subject to, controlled by, and dependent upon Section 92, and the Consent Agreement, the Leasehold Mortgagee may apply on account of the Secured Obligations any unexpended monies still retained by the Leasehold Mortgagee that were paid by the Mortgagor to the Leasehold Mortgagee or the Trustee in accordance with the Indenture: (A) for the payment of, or as security for the payment of, taxes, assessments or other governmental charges, insurance premiums or any other charges; or (B) to secure the performance of some act by the Mortgagor.

(iii) *Remedies Under Section 92*. Subject to, controlled by and dependent upon Section 92 and the Consent Agreement, the Leasehold Mortgagee may pursue any remedies set forth in Section 92, including its right to relet the Leasehold Mortgage Premises, in accordance with and subject to Section 92. In pursuing such remedies, the Leasehold Mortgagee shall be entitled to employ, at the expense of the Mortgagor, appropriate consultants and agents to assist it and shall not be liable for the acts or omissions of such consultants or agents nor for acting in good faith reliance upon the advice of such consultants or agents.

(iv) *Other Remedies*. Subject to, controlled by and dependent upon Section 92 and the Consent Agreement, the Leasehold Mortgagee shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by the Mortgagor and/or AMR Corporation under the terms of the Guaranty, as they become due, without regard to whether or not any other liabilities shall be due, and without prejudice to the right of the Leasehold Mortgagee thereafter to bring an action of mortgage foreclosure, or any other action, for any default by the Mortgagor existing at the time the earlier action was commenced.

(b) Exercise of Remedies and Rights. The Leasehold Mortgagee shall exercise its rights and remedies under this Leasehold Mortgage subject to, controlled by and dependent in all respects and in all events upon the Port Authority Lease, including without limitation Section 92 and the Consent Agreement, without limiting the generality of the foregoing, to the following:

(i) *Benefit of Section 254 and Section 271 of the Real Property Law*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92 and the Consent Agreement, nothing herein contained shall be construed as depriving the Leasehold Mortgagee of any right or advantage available under Paragraphs 3, 5, 8 and 9 of Section 254 or Paragraph 3 of Section 271 of the Real Property Law of the State of New York, but all covenants herein differing therefrom shall be construed as conferring additional and not substitute rights and advantages.

(ii) *This Leasehold Mortgage Constitutes A Commercial Transaction*. THE MORTGAGOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS LEASEHOLD MORTGAGE IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY VOLUNTARILY AND KNOWINGLY WAIVES, TO THE EXTENT PERMITTED BY LAW, ITS RIGHTS TO NOTICE AND HEARING AS ALLOWED UNDER ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY OR OTHER RIGHT WHICH THE LEASEHOLD MORTGAGEE MAY DESIRE TO USE. FURTHER, THE MORTGAGOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL PRESENT AND FUTURE VALUATION, APPRAISEMENT, HOMESTEAD EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS.

(iii) *No Remedy Exclusive*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, no remedy conferred upon or reserved to the Leasehold Mortgagee hereunder is or shall be deemed to be exclusive of any other available remedy or remedies. Each such remedy shall be distinct, separate and cumulative, shall not be deemed to be inconsistent with or in exclusion of any other available remedy, may be exercised in the discretion of the Leasehold Mortgagee at any time, in any manner, and in any order, and shall be in addition to and separate and distinct from every other remedy given the Leasehold Mortgagee under this Leasehold Mortgage or any other Security Documents now or hereafter existing in favor of the Leasehold Mortgagee at law or in equity or by statute. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, without limiting the generality of the foregoing, the Leasehold Mortgagee shall have the right to exercise any available remedy to recover any amount due and payable hereunder without regard to whether any other amount is due and payable, and without prejudice to the Leasehold Mortgagee to exercise any available remedy for other Leasehold Mortgage Defaults existing at the time the earlier action was commenced.

(iv) *Delay To Not Constitute Waiver*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, any delay, omission or failure by the Leasehold Mortgagee to insist upon the strict performance by the Mortgagor of any of the covenants, conditions and agreements herein set forth to be exercised by them or to exercise any right or remedy available to it upon the occurrence of a Leasehold Mortgage Default hereunder shall not impair any such right or remedy or be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce, by injunction or other appropriate legal or equitable remedy, strict compliance by the Mortgagor with all of the covenants, conditions and agreements herein to be exercised by it, or of the right to exercise any such rights or remedies if such default by the Mortgagor be continued or repeated. Any forbearance by the Leasehold Mortgagee before or after any exercise of any such option, or any forbearance to exercise any other remedy of the Leasehold Mortgagee, or any withdrawal or abandonment by the Leasehold Mortgagee of any of its rights in any one circumstance shall not be construed as a waiver of any

option, power, remedy or right of the Leasehold Mortgagee hereunder. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the rights and remedies of the Leasehold Mortgagee expressed and contained in this Leasehold Mortgage are cumulative and none of them shall be deemed to be exclusive of any other or of any right or remedy the Leasehold Mortgagee may now or hereafter have in law or in equity. The election of any one or more remedies shall not be deemed to be an election of remedies under any statute, rule, regulation or case law.

(v) *Effect of Discontinuance of Proceedings*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, in case any proceedings taken by the Leasehold Mortgagee on account of any Leasehold Mortgage Default hereunder shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Leasehold Mortgagee, then and in every such case, the Mortgagor, the Leasehold Mortgagee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Leasehold Mortgagee shall continue as in effect prior to the commencement of such proceedings.

(vi) *Marshalling*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to the extent permitted by law, the Mortgagor waives and releases any right to have the Mortgaged Property marshalled.

(vii) *Actions and Proceedings*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall have the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding which the Leasehold Mortgagee, in its reasonable discretion, determines to be brought to protect its interest in the Mortgaged Property. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall further have the right, from time to time, to sue for the payment of the Secured Obligations, as the same become due, without regard to whether or not the principal sums secured or any other sums secured by this Leasehold Mortgage shall be due and without prejudice to the right of the Leasehold Mortgagee hereafter to bring an action of foreclosure or any other action for a default or defaults by the Mortgagor existing at the time such earlier action was commenced; provided, however, that, subject to Section 92, none of the foregoing shall be deemed to alter, impose or restrict any Port Authority rights or remedies under the Port Authority Lease or otherwise.

(viii) *Attorneys' Fees and Other Costs*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor agrees to bear all costs, fees and expenses including court costs and reasonable expenses (including reasonable attorneys' fees and disbursements) for legal services of or incidental to the enforcement of any provisions hereof, or enforcement, compromise or settlement of any of the

collateral pledged hereunder, and for the curing of any default hereunder, or by defending or asserting the rights and claims of the Leasehold Mortgagee in respect thereof, by litigation or otherwise, and will pay to the Leasehold Mortgagee any such expenses incurred, and such expenses shall be deemed part of the Secured Obligations secured by this Leasehold Mortgage and shall be collectible in like manner as the Secured Obligations secured by this Leasehold Mortgage. All rights and remedies of the Leasehold Mortgagee shall be cumulative and may be exercised singly or concurrently. In no event shall the Leasehold Mortgagee have the right to declare a Leasehold Mortgage Default based solely upon the Mortgagor's failure to pay any costs described in this Section 6(b)(viii), nor shall the rights afforded to the Leasehold Mortgagee under this Section 6(b)(viii) be deemed to expand or increase the Reletting Rights afforded to the Leasehold Mortgagee under Section 92.

(ix) *No Additional Waiver Implied by One Waiver*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, in the event any covenant or agreement contained in this Leasehold Mortgage should be breached by the Mortgagor and thereafter waived by the Leasehold Mortgagee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the Leasehold Mortgagee. No course of dealing between the Mortgagor and/or any other Person or any delay or omission on the part of the Leasehold Mortgagee in exercising any rights hereunder shall operate as a waiver.

(x) *Application of Proceeds*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, all proceeds derived through the exercise of any remedies or the commencement of any proceedings under this Leasehold Mortgage shall be applied in accordance with Section 8.03 of the Master Indenture.

(xi) *Waiver of Moratorium*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, or the exemption from execution from sale of any or all of the Mortgaged Property, now or any time hereafter enacted or enforced, nor claim, take or insist upon the benefit of any law now or hereafter enacted or enforced providing for the valuation or appraisal of the Mortgaged Property or any part thereof prior to any sale or sales thereof which may be made pursuant to any provisions herein or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted or enforced to redeem the property so sold or any part thereof. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to the extent permitted by law, the Mortgagor hereby expressly waives the benefit or advantage of any such law or laws and covenants

not to delay or impede the execution of any power herein granted or delegated to the Leasehold Mortgagee.

(xii) *Waiver of Notice.* The Mortgagor shall not be entitled to any notices of any nature whatsoever from the Leasehold Mortgagee except with respect to matters for which this Leasehold Mortgage specifically and expressly provides for the giving of notice by the Leasehold Mortgagee to the Mortgagor, and the Mortgagor hereby expressly waives the right to receive any notice from the Leasehold Mortgagee with respect to any matter for which this Leasehold Mortgage does not specifically and expressly provide for the giving of such notice.

7. Effect of Foreclosure. Any foreclosure under the powers granted by this Leasehold Mortgage shall be a perpetual bar against the Mortgagor and its successors and assigns.

8. Mortgagor Shall Perform Obligations. The Mortgagor shall perform all of its obligations under the Port Authority Lease and the Consent Agreement (including without limitation its obligations under Section 92 of the Port Authority Lease) and the IDA Lease Agreement notwithstanding the existence of this Leasehold Mortgage. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall not modify, amend, supplement or extend Section 92 of the Port Authority Lease, nor shall the Mortgagor enter into any amendment of the Port Authority Lease which shall only affect an Approved Successor Lessee without affecting the originally named Mortgagor, without the prior consent of the Leasehold Mortgagee in each case. The Mortgagor shall not enter into any termination agreement with respect to the Port Authority Lease, surrender the leasehold estate created by the Port Authority Lease nor abandon the Leasehold Mortgage Premises.

9. Severability; Construction Consistent With Law. In the event that any one or more of the provisions contained in this Leasehold Mortgage shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Leasehold Mortgage. If the liens created by this Leasehold Mortgage shall be invalid or unenforceable as to any part of the Secured Obligations secured hereby, the unsecured portion of the Secured Obligations shall be completely paid and liquidated prior to the payment and liquidation of the remaining unsecured portion of said indebtedness, and all payments made on said indebtedness shall be considered to have been first paid on and applied to the complete payment and liquidation of that portion of the indebtedness that is not secured by the liens of this Leasehold Mortgage.

10. Security Interest and Security Agreement. (a) Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to further secure the Secured Obligations, the Mortgagor hereby grants to the Leasehold Mortgagee a security interest in and to the Mortgaged Property insofar as the Mortgaged Property consists of a leasehold interest in fixtures, including any proceeds and products thereof and therefrom, which interest may, in the case of fixtures, be subject to purchase money security interests to the extent permitted under the definition of Permitted Encumbrances. If any Leasehold Mortgage Default occurs, the Leasehold Mortgagee is and shall be entitled to

all of the rights, powers and remedies afforded a secured party by the New York Uniform Commercial Code (the "Code") with reference to the leasehold interest in the fixtures as to which the Leasehold Mortgagee has been granted a security interest herein. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee may elect to foreclose such of the Mortgaged Property as then comprises a leasehold interest in fixtures pursuant either to the law applicable to foreclosure of an interest in real estate or to that applicable to personal property under the Code. To the extent permitted by law, the Mortgagor waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

(b) Security Agreement. This Leasehold Mortgage is and shall be deemed to be a security agreement under the Code with respect to the Mortgaged Property and subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall have all the rights of a secured party thereunder. Promptly following a request by the Leasehold Mortgagee, the Mortgagor shall execute and deliver to the Leasehold Mortgagee any security agreement, financing or continuation statement or other document the Leasehold Mortgagee reasonably deems necessary to protect or perfect its lien on the Mortgaged Property. The Mortgagor authorizes the Leasehold Mortgagee, to the extent permitted by law, to sign and file any financing or continuation statement or termination statement at any time with respect to the Mortgaged Property in the absence of any signature by or on behalf of the Mortgagor.

11. Leasehold Mortgagee Acts In Trust Capacity. Except as otherwise provided in the Indenture, it is expressly understood and agreed by the Mortgagor and the Leasehold Mortgagee that (a) this Leasehold Mortgage is accepted by The Bank of New York, not in its individual capacity but solely as Trustee under the Indenture in the exercise of the powers and authority conferred and vested in it as the Trustee thereunder for the benefit of the Bondholders, and (b) under no circumstances shall The Bank of New York be personally liable for the payment of any Secured Obligations or expenses of the Trustee under the Indenture.

12. Notices. All notices or other communications required or permitted to be given pursuant to this Leasehold Mortgage, except the notices from the Leasehold Mortgagee to the Port Authority pursuant to Section 13 hereof, which shall be governed by the Port Authority Lease and the Consent Agreement, shall be in writing and shall be considered as properly given if mailed by first-class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the Leasehold Mortgagee and the Mortgagor shall be as set forth in the opening paragraph hereof, provided, however, that any party entitled to receive any notice hereunder shall have the right to change its address for notice hereunder to any other location by the giving of 20 days' notice to the other party in the manner set forth hereinabove.

13. Notice to Port Authority. Under Section 92 and the Consent Agreement, the Leasehold Mortgagee is required to give certain written notices to the Port Authority. The address of the Port Authority for such purposes shall be as set forth in the Port Authority Lease and the Consent Agreement, and such notices shall be given as set forth in the Port Authority Lease and the Consent Agreement.

14. Advances. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, if the Mortgagor shall fail to comply with any of the covenants or conditions to be complied with by it under the Port Authority Lease, the Leasehold Mortgagee may, but shall not be obligated to, make advances to cause such compliance on the Mortgagor's behalf, and all sums so advanced shall be a lien upon the Mortgaged Property and shall be secured hereby, but the same shall not increase, expand or enlarge the Reletting Rights under Section 92 nor create or be deemed to create any new or additional rights in Leasehold Mortgagee, nor shall the same extend the lien of this Leasehold Mortgage beyond or after the payment or defeasance of all of the Bonds pursuant to Article X of the Indenture. The Mortgagor shall repay on demand all sums so advanced together with interest thereon at the weighted average interest rate then applicable to the Bonds secured by this Leasehold Mortgage. The provisions of this Section 14 shall not prevent any such failure to comply from constituting a Leasehold Mortgage Default.

15. Release of Part of Leasehold Mortgage Premises.

(a) The Leasehold Mortgagee and the Mortgagor acknowledge that the Leasehold Mortgagee and the Port Authority may wish to eliminate certain portions of the Leasehold Mortgage Premises from the Port Authority Lease from time to time during the existence of this Leasehold Mortgage. The portions of the Leasehold Mortgage Premises which the Port Authority and the Mortgagor wish to eliminate from the Port Authority Lease shall be hereinafter referred to as the "Released Property". The Mortgagor hereby agrees that the Released Property may only be eliminated from the Port Authority Lease and released from this Leasehold Mortgage in accordance with this Section 15.

(b) A "Minor Release" shall be a release of part of the Leasehold Mortgage Premises with respect to which (together with the parts of the Leasehold Mortgage Premises previously released) the Mortgagor certifies will not have a material adverse effect on the use of the remaining Leasehold Mortgage Premises as a passenger terminal facility comparable to the passenger terminal facility on the Leasehold Mortgage Premises immediately prior to such release. A portion of the Leasehold Mortgage Premises constituting a Minor Release may be released from the lien of this Leasehold Mortgage provided (A) the Mortgagor has provided the Leasehold Mortgagee and the Agency with a certificate executed by an officer or director of the Mortgagor setting forth that the proposed Minor Release meets the conditions set forth in the first sentence and clauses (B) and (C) of this Section 15(b), (B) at the time of such Minor Release there exists no uncured Leasehold Mortgage Default or event which, with the passage of time or the giving of notice or both, would constitute a Leasehold Mortgage Default, (C) simultaneously with such release, the parcel which is the subject of such Minor Release shall be eliminated from the Port Authority Lease and (D) the Mortgagor shall have delivered to the Leasehold Mortgagee a Favorable Opinion of Bond Counsel. The Leasehold Mortgagee shall promptly record in the recording office where this Leasehold Mortgage was recorded an appropriate instrument identifying and implementing the Minor Release, in the form attached hereto as Appendix D, with a copy thereof to the Mortgagor and to the Port Authority.

(c) Any proposed release of a part of the Leasehold Mortgage Premises which is not a Minor Release shall be considered a "Major Release". In order to effect a Major Release of a part of the Leasehold Mortgage Premises from the lien of this Leasehold Mortgage, the Mortgagor shall cause the conditions applicable to a Minor Release specified in Section 15(b) to be satisfied (other than the delivery of certification described in the first sentence of Section 15(b)), and shall pay to the Leasehold Mortgagee a release price (the "Release Price") calculated in accordance with this Section 15(c). The Mortgagor shall provide to the Trustee an appraisal, engineering or similar consultant's report prepared by an independent nationally-recognized airport engineering, traffic or consulting firm selected by the Mortgagor which shall specify the portion of the total annual revenues (the "Total Revenues") attributable to the Leasehold Mortgage Premises which are reasonably estimated to be allocable to the proposed Released Property (the "Allocable Revenues"). In preparing such report, such consultant may look at historic or projected revenue amounts, or both, in its professional judgment. The Release Price shall be an amount that bears the same ratio to the then outstanding principal amount of the Bonds secured by this Leasehold Mortgage as the Allocable Revenues bear to the Total Revenues. The Leasehold Mortgagee shall promptly record in the recording office where this Leasehold Mortgage was recorded an appropriate instrument identifying and implementing the Major Releases in the form attached hereto as Appendix D, with a copy thereof to the Mortgagor and to the Port Authority.

(d) The Leasehold Mortgagee shall execute and deliver such documents and take such further action as the Mortgagor may from time to time reasonably request to effect the Minor Release or Major Release accomplished in accordance with this Section 15, with copies supplied in advance of execution to the Port Authority.

16. Miscellaneous.

(a) Successors and Assigns. Except in accordance with the Port Authority Lease, the Mortgagor shall not sublease the Leasehold Mortgage Premises (other than the subleasing under the Company Sublease as consented to in the Consent Agreement) or assign all or any portion of its rights and obligations hereunder. Subject to the foregoing, this Leasehold Mortgage is binding upon the Mortgagor and its successors and assigns, and shall inure to the benefit of the Leasehold Mortgagee, its successors and substitutes under Section 92 and the Bondholders. The Leasehold Mortgagee may not assign this Leasehold Mortgage except to (i) a party becoming a successor or substitute Leasehold Mortgagee appointed in accordance with Section 92 or (ii) to the Port Authority if the Port Authority exercises its purchase rights under paragraph (v) of Section 92.

(b) Further Assurances. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall promptly and duly execute and deliver such documents and assurances and take such further action as the Leasehold Mortgagee from time to time may reasonably request to carry out more effectively the intent and purpose of this Leasehold Mortgage, or to establish and protect the rights and remedies created or intended to be created hereunder in favor of the Leasehold Mortgagee, including, without limitation, an amendment and restatement of or modification to this Leasehold Mortgage

to reflect the changes to the description of the Leasehold Mortgage Premises as described on Exhibit I attached hereto.

(c) Headings. The headings of the sections and subsections are for convenience only and shall not affect the meaning of this Leasehold Mortgage.

(d) Recording and Filing. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, this Leasehold Mortgage and all supplements hereto shall be recorded by the Mortgagor as a mortgage on lease of real property in the appropriate office of the Register of the City of New York, or in such other office as may be at the time provided by law as the proper place for the recordation thereof, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. The security interest of the Leasehold Mortgagee created by this Leasehold Mortgage in the property, rights and interests herein described, shall be perfected by the filing by the Mortgagor in the office of the Secretary of State of the State of Delaware, and in the office of such Register, of financing statements which fully comply with the Delaware or New York State Uniform Commercial Codes (Secured Transactions), as applicable, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. This Leasehold Mortgage shall be re-recorded and re-indexed by the Leasehold Mortgagee whenever, pursuant to the New York State Uniform Commercial Code (Secured Transactions) or in the Opinion of Counsel to the Mortgagor, such action is necessary to preserve the lien and security interest hereof; and in addition, such financing or continuation statements as in the opinion of such counsel pursuant to the New York State Uniform Commercial Code - Secured Transactions or become necessary to preserve the lien and security interest of this Leasehold Mortgage shall be filed by the Leasehold Mortgagee in said office of the Secretary of State of the State of Delaware, and in the office of the Register of the City of New York, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. Any said re-recordings, re-indexings, filings and re-filings shall be prepared by the Mortgagor and accompanied with any fees or requisite charges. All mortgage recording taxes and filing and recording charges and fees as are due and payable shall be payable by the Mortgagor. Upon the satisfaction of all Secured Obligations or other termination of the effectiveness of this Leasehold Mortgage in accordance with Section 92, the Leasehold Mortgagee shall deliver, at the direction and sole cost of the Mortgagor, UCC-3 Termination Statements and such other instruments reasonably requested by the Mortgagor necessary to terminate such security interest.

(e) Applicability of Section 13 of the Lien Law. It is intended that this Leasehold Mortgage shall be superior to any laborers', mechanics' or materialmen's liens which may be placed upon the Mortgaged Property subsequent to the recordation hereof. This Leasehold Mortgage is subject to the trust fund provisions of Section 13 of the New York Lien Law and the Mortgagor shall, therefore, in compliance with Section 13 of the New York Lien Law, receive the funds advanced to the Mortgagor pursuant to the Indenture, shall hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvements on the Leasehold Mortgage

Premises and shall apply the same first to the payment of the cost of the improvements on the Leasehold Mortgage Premises before using any part of the total of the same for any other purpose.

(f) Additional Taxes or Charges. If any law or ordinance is enacted or adopted which imposes a tax, either directly or indirectly, on this Leasehold Mortgage, the Mortgagor will pay such tax as is due and payable, with interest and penalties thereon, if any. If at any time the United States of America, any state thereof or any governmental subdivision of any such state, shall require revenue or other stamps to be affixed to this Leasehold Mortgage or any of the other Security Documents, the Mortgagor agrees to pay for the same, as is due and payable, with interest and penalties thereon, if any.

(g) Usury Laws. This Leasehold Mortgage and all other Security Documents are subject to the express condition that at no time shall the Mortgagor be obligated or required to pay interest on the principal balance due under the Secured Obligations at a rate which could subject the holder of the Secured Obligations to either civil or criminal liability as a result of being in excess of the maximum interest rate which the Mortgagor is permitted by law to contract or agree to pay. If by the terms of this Leasehold Mortgage or any of the other Security Documents, the Mortgagor is at any time required or obligated to pay interest on the principal balance due under the Secured Obligations at a rate in excess of such maximum rate, the rate of interest under the Secured Obligations shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate.

(h) Creation of Liens; Indebtedness; Sale of Leasehold Mortgage Premises. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall not create or suffer to be created any lien or charge upon or pledge of the Mortgaged Property except the lien, charge and pledge created by this Leasehold Mortgage and Permitted Encumbrances. The Mortgagor shall not incur any indebtedness or issue any evidences of indebtedness, other than the Lessee Guaranty, secured by a lien on or pledge of such Mortgaged Property. The Mortgagor further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Leasehold Mortgage Premises or any part thereof except as specifically permitted under the Port Authority Lease, the Consent Agreement, the IDA Lease Agreement, the Indenture and this Leasehold Mortgage, so long as this Leasehold Mortgage is in effect.

(i) Defense of Leasehold Estate. During the existence of this Leasehold Mortgage, which shall in no event commence until after the occurrence of the Reletting Rights Effective Date, at the written request of the Leasehold Mortgagee, the Mortgagor, on behalf of the Holders of the Bonds and in accordance with the terms of the Indenture, shall defend the leasehold estate of the Mortgagor to the Mortgaged Property and every part thereof for the benefit of the Holders of the Bonds, and the Mortgagor agrees to warrant and defend such leasehold estate, against the claims and demands of all Persons whomsoever.

(j) Amendments and Modifications. This Leasehold Mortgage shall be amended, modified or supplemented only by a written agreement executed by the Mortgagor and the Leasehold Mortgagee and, in any event, only in accordance with the Indenture, Section 92 and the Consent Agreement.

(k) Incorporation of Certain Indenture Provisions. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, all provisions of Article IX of the Indenture and of Section 92 shall be construed as extending to and including all of the rights, duties and obligations imposed upon the Leasehold Mortgagee under this Leasehold Mortgage as fully and for all purposes as if said Article IX and said Section 92 were contained in this Leasehold Mortgage.

(l) Entire Agreement; Counterparts. This Leasehold Mortgage, together with Section 92 and the Consent Agreement, constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof (other than any Security Documents) and may be executed simultaneously in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(m) Condemnation and Insurance Proceeds. Subject to, controlled by and dependent upon the applicable provisions of the Port Authority Lease, and subject to the Basic Lease in connection with the condemnation or the damage or destruction of any Mortgaged Property, and the payment of any condemnation awards or insurance or other proceeds in connection therewith, the provisions of Article V of the IDA Lease Agreement shall be deemed to be incorporated into this Leasehold Mortgage and shall survive any termination of the IDA Lease Agreement or the Credit Facility Agreement if any.

(n) Non-Residential Property. This Leasehold Mortgage does not cover real property principally improved by one or more structures containing in the aggregate six (6) or less residential units having its own separate cooking facilities, and the Mortgagor so represents and warrants.

(o) Port Authority's Bankruptcy; Effect on Company Sublease. The Mortgagor shall not elect to treat the Company Sublease as terminated, canceled or surrendered pursuant to the applicable provisions of the Bankruptcy Code (including, but not limited to, Section 365(h)(1) thereof) without the Leasehold Mortgagee's prior written consent in the event of the Port Authority's bankruptcy, notwithstanding any rejection thereof by the Port Authority or any trustee, custodian or receiver. The foregoing shall not and shall not be deemed to be binding on the Port Authority nor to limit, alter, restrict or impair any rights or remedies (legal or equitable) of the Port Authority.

(p) Waiver of Certain Mortgagor Defenses. Except for any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Mortgagor acknowledges and agrees that under no circumstances

shall the alleged non-compliance by the Mortgagor, AMR, the Agency, the Port Authority or any other Financial Party with any of the terms, conditions or representations contained in the Consent Agreement be a defense by the Mortgagor in any proceeding brought by the Leasehold Mortgagee to enforce its rights under this Leasehold Mortgage or any provision thereof. Further, except for any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Mortgagor hereby waives all of its defenses, if any, to this Leasehold Mortgage or any provision thereof that may arise out of (i) any purported invalidity, termination (except as specifically set forth in Section 5.2 of the Consent Agreement) or inapplicability of the Consent Agreement or (ii) any non-compliance with any of the terms, conditions or representations contained in the Consent Agreement by the Mortgagor, AMR, the IDA, the Port Authority or any other Financial Party. Anything to the contrary in the foregoing notwithstanding, it is hereby expressly understood and agreed that neither the foregoing sentences of this Section 16(p) nor any waiver of the Mortgagor shall or shall be construed to waive, impair or preclude any right, remedy, claim or defense or indemnity in favor of the Port Authority or any other party, including but not limited to any right, remedy, claim or defense or indemnity available to the Port Authority or any other party by subrogation or otherwise, with respect to the matters mentioned in the preceding sentences of this Section 16(p) or with respect to any Wrongful Recording of the Leasehold Mortgage.

(q) No Impairment, Etc. of this Leasehold Mortgage. Notwithstanding anything to the contrary contained in Section 8.6(a) of the Consent Agreement, after (i) the proper execution and delivery of this Leasehold Mortgage following the Reletting Rights Effective Date in the form attached to the Consent Agreement as Exhibit G and in accordance with the Port Authority Lease and the Consent Agreement and (ii) the satisfaction of all conditions as set forth in Section 4.2 of the Consent Agreement, no violation of any covenant or condition contained in the Consent Agreement by any party hereto, nor any claim of misrepresentation by any such party, shall in any way affect, invalidate, impair or (except as specifically set forth in Section 5.2 of the Consent Agreement) terminate this Leasehold Mortgage or affect the lien thereof; provided, however, that where any such violation or misrepresentation constitutes a Wrongful Recording of the Leasehold Mortgage, this Leasehold Mortgage and the lien hereof shall not be entitled to the foregoing protection. Nothing contained herein shall limit the rights, remedies, claims or defenses of the Port Authority or any indemnities in favor of the Port Authority under the Port Authority Lease, the Consent Agreement or otherwise, for any such violation or misrepresentation, including without limitation the rights of the Port Authority under the Consent Agreement and the right of the Port Authority to terminate the Port Authority Lease in accordance with paragraph (d)(2) of Section 92. Without limiting paragraph (e) of Section 92 or any other term, covenant, provision or condition of the Port Authority Lease and without limiting Section 5.2 of the Consent Agreement, the parties acknowledge that if the Port Authority Lease is terminated pursuant to Sections 20 and 92 of the Port Authority Lease, then this Leasehold Mortgage and the lien created hereby shall simultaneously and automatically terminate and end.

17. Choice of Law. THIS LEASEHOLD MORTGAGE SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT EXCLUDING ITS CONFLICT-OF-LAWS RULES.

18. Waiver of Jury Trial and Counterclaims. EACH OF THE PARTIES TO THIS LEASEHOLD MORTGAGE HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS LEASEHOLD MORTGAGE OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LEASEHOLD MORTGAGE. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Leasehold Mortgage and the transactions contemplated hereby, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 18 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS LEASEHOLD MORTGAGE. In the event of litigation, this Leasehold Mortgage may be filed as a written consent to a trial by the court. THE MORTGAGOR WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY THE LEASEHOLD MORTGAGEE.

19. No Wrongful Recording. Each of the Mortgagor and the Leasehold Mortgagee hereby covenants and agrees that it shall comply with the provisions of Section 92(d)(2) of the Port Authority Lease in connection with the recording of this Leasehold Mortgage. If any recording of this Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage as defined in Section 92, each of the Mortgagor and the Leasehold Mortgagee hereby expressly covenants, represents and agrees that it shall cooperate with the landlord under the Port Authority Lease, and shall promptly take or cause to be taken any and all actions requested by the landlord under the Port Authority Lease or required under applicable law, to remove and discharge this Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Mortgagor to comply with Section 92(d)(2) of the Port Authority Lease or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of this Section 19 if such breach is cured as provided in this Section 19 or is waived in writing by the landlord under the Port Authority Lease.

20. Agency Joinder. The Agency acknowledges that this Leasehold Mortgage will secure the obligations of the Mortgagor and AMR to pay the principal and purchase price, if any, of and interest and premium, if any, on the Bonds pursuant to the Guaranty. The Agency, as sublessee of the Mortgagor pursuant to a Company Sublease Agreement dated as of July 1, 2002

between the Mortgagor and the Agency, acknowledges and consents to the granting of this Leasehold Mortgage by the Mortgagor. The Agency hereby authorizes and instructs the Mortgagor to execute and deliver this Leasehold Mortgage to the Leasehold Mortgagee and to cause the Leasehold Mortgagee to record the same, all in accordance with and subject to, controlled by and dependent upon the Port Authority Lease, including Section 92, and the Consent Agreement. The Agency hereby agrees, in connection with such recording of this Leasehold Mortgage, to grant the Mortgagor an exemption from mortgage recording taxes imposed under Article II of the New York State Tax Law, as the same may be amended from time to time, that would otherwise be payable in connection with the recording of this Leasehold Mortgage, as more fully set forth in the affidavit of the Vice President for Legal Affairs of the Agency presented to the Office of the City Register, Queens County, simultaneously with the presentation of this Leasehold Mortgage for recording.

IN WITNESS WHEREOF, this Leasehold Mortgage has been executed and delivered on the date first set forth above.

AMERICAN AIRLINES, INC.

By: _____
Name:
Title:

THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY hereby joins in this Leasehold Mortgage solely for the purposes set forth in Section 20.

By: _____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

STATE OF _____)

: ss.:

COUNTY OF _____)

On the ____ day of July, in the year 2002, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York county in the state of New York.

_____

Notary Public

STATE OF _____)

: ss.:

COUNTY OF _____)

On the ____ day of _____, in the year 20__, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity, and that by his/her/their signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in _____ county in the state of _____.

_____

Notary Public

EXHIBIT I

Property Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto. (The attached maps are Exhibit 1.1 of the Port Authority Lease).[5]

[5] Exhibit I will be adjusted as necessary to reflect any changes to the Leasehold Mortgage Premises between _____, 2002 and the date of recording.

APPENDIX A

Summary of Definitions

APPENDIX B

Section 92

APPENDIX C

Consent Agreement

APPENDIX D

Release Agreement

THIS INDENTURE, made the _____ day of _____, 20__

BETWEEN THE BANK OF NEW YORK (the "Leasehold Mortgagee")[6] and AMERICAN AIRLINES, INC. (the "Mortgagor"),

WHEREAS, the Leasehold Mortgagor is the holder of the Leasehold Mortgage and Security Agreement dated the ____ day of _____ , 20__, made by AMERICAN AIRLINES, INC. to THE BANK OF NEW YORK (the "Leasehold Mortgage") and recorded in Reel _____, Page __ in the office of the City Register of the County of Queens, New York, covering the Mortgagor's leasehold estate in the Leasehold Mortgage Premises (as defined in the Leasehold Mortgage) the Released Leasehold Mortgage Premises (as hereinafter defined) are part , and

WHEREAS, the Leasehold Mortgagee, at the request of the Mortgagor, has agreed to give up and surrender the lien of the Leasehold Mortgage on the Mortgagor's leasehold estate in the Released Leasehold Mortgage Premises, and to hold and retain the residue of the leasehold estate in the Leasehold Mortgage Premises as security for the Secured Obligations (as defined in the Leasehold Mortgage).

NOW THIS INDENTURE WITNESSETH, that the Leasehold Mortgagee, in pursuance of said agreement and in consideration of $10 lawful money of the United States paid by the Mortgagor, does release from the lien of the Leasehold Mortgage, the Mortgagor's leasehold estate in that part of the Leasehold Mortgage Premises described as follows (the "Released Leasehold Mortgage Premises"):

AND THE LEASEHOLD MORTGAGEE confirms that the Released Leasehold Mortgage Premises are forever, free, clear and discharged of and from all lien and claim under and by virtue of the Leasehold Mortgage.

[6] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

IN WITNESS WHEREOF, the Leasehold Mortgagee has executed this release the day and year first above written

THE BANK OF NEW YORK[7],
Leasehold Mortgagee

By: _____
Name:
Title:

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of _____, in the year 20__, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

[7] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

EQUIPMENT SECURITY AGREEMENT

among

AMERICAN AIRLINES, INC.

and

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, as Debtors,

and

THE BANK OF NEW YORK, as the Secured Party

Dated as of July 1, 2002

Location: Queens County, New York

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This EQUIPMENT SECURITY AGREEMENT (this "Agreement"), dated as of July 1, 2002, among AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware (the "Lessee"), and NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York (the "Agency" and, severally and not jointly with the Lessee, "Debtors"), and THE BANK OF NEW YORK, a New York banking corporation, as Trustee under the Indenture referred to below (the "Secured Party").

W I T N E S S E T H:

WHEREAS, the Debtors in consideration of the acceptance by the Secured Party of the security interests in the Collateral hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Secured Party at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure, in the following order of priority, first, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds according to their tenor and effect and the performance and observance by the Debtors of all the covenants expressed or implied herein and in the Bonds and, second, the payment to a Credit Facility Provider, if any, and the performance of the reimbursement and other obligations of the Lessee under any Credit Facility Agreement, collectively, the "Secured Obligations".

NOW, THEREFORE, in consideration of the premises set forth above and the mutual covenants contained herein, and FOR THE PURPOSE OF SECURING the payment and performance of the Secured Obligations, which Secured Obligations may increase, decrease and increase again, from time to time, the parties hereto hereby agree as follows:

1. Definitions and Other Provisions of Interpretation. For all purposes of this Agreement, except as otherwise expressly provided in this Agreement or unless the context otherwise requires, all terms used herein shall have the meanings set forth in Appendix A hereto.

2. Creation of Security Interest. (a) As security for the full payment, observance and performance when due (whether at stated maturity, by acceleration or otherwise) of any and all of the Secured Obligations now existing or hereafter arising, (i) the Lessee has bargained and sold and hereby irrevocably grants, bargains, sells, demises, releases, conveys, warrants, assigns, transfers, pledges, delivers, grants a continuing security interest, sets over and confirms unto the Secured Party forever, subject to the terms and conditions hereinafter set forth, all right, title and interest of the Lessee in the property, estates, rights and interests described generally in paragraphs (i) - (ix) below (except as to property, estates, rights and interests expressly excluded herefrom), whether now held or owned hereafter acquired and (ii) the Agency has bargained and sold and hereby irrevocably grants, bargains, sells, demises, releases, conveys, warrants, assigns, transfers, pledges, delivers, grants a continuing security interest, sets over and confirms unto the Secured Party forever, subject to the terms and conditions hereinafter set forth, all right, title and interest of the Agency, whether now held or owned or hereafter acquired in and to the property,

estates, rights and interests described generally in paragraphs (i)-(ix) below (except as to the Agency's Reserved Rights and any other property, estates, rights and interests expressly excluded herefrom by this Section 2) (all such property, estates, rights and interests hereby granted by the Lessee and the Agency not expressly excluded herefrom being hereinbefore and hereinafter collectively referred to as the "Collateral"):

(i) all automobiles, trucks, boats and other rolling stock or moveable personal property in which Debtor has an interest ("Rolling Stock"), including Rolling Stock any portion of which constitutes Financed Property and IDA Equipment for which the title thereto is evidenced by a certificate of title issued by the United States or a state that permits or requires a lien thereon to be evidenced upon such certificate, in which the Debtor now or at any time in the future may have an interest in connection with the Project or the Leased Facilities. In connection therewith, the Lessee shall provide the Secured Party with (A) all lien entry forms and similar documents, duly completed, executed and acknowledged, (B) the certificates of title to such Rolling Stock and (C) such other information or documents, in each case, to the extent required or reasonably desirable in order to enable the Secured Party to perfect the lien granted hereunder on such Rolling Stock. Upon execution of such lien entry forms and other documents by the Secured Party, the Lessee shall, at the sole cost and expense of the Lessee, cause such lien entry forms and other documents to be presented to the appropriate authorities in order to perfect the lien granted hereunder on such Rolling Stock for the benefit of the Secured Party;

(ii) all proceeds of and any prepaid premiums on any insurance policies covering the Collateral, including the right to receive the proceeds of any insurance, judgments or settlements made in lieu thereof for damage to the Collateral;

(iii) any and all of the estate, right, title and interest of each Debtor in all machinery, apparatus, equipment, trade fixtures, personal property, and fittings, which are in the nature of personal property and other personal property of every kind and nature whatsoever owned by either of them any portion of which constitutes Financed Property and IDA Equipment, or in which either of them has or shall have an interest, now or hereafter located upon or used (temporarily or permanently) or usable on or in connection with the Leased Facilities or appurtenances thereto, and all equipment, materials and supplies of any nature whatsoever, owned by either of them any portion of which constitutes Financed Property and IDA Equipment, or in which either of them has or shall have an interest, now or hereafter located upon the Leased Facilities and all renewals, replacements and substitutions thereof and additions thereto owned by any of them or in which any of them has or shall have an interest, including any and all partitions, ducts, shafts, pipes, radiators, conduits, wiring, interconnection facilities, transmission lines, floor coverings, awnings, motors, engines, boilers, stokers, pumps, dynamos, transformers, turbines, generators, fans, blowers, vents, switchboards, elevators, mail or coal conveyors, compressors, furnaces, cleaning equipment, sprinkler systems, fire extinguishing apparatus, water and other tanks, heating, ventilating, plumbing, laundry, incinerating, air conditioning and air cooling systems, water, gas, telephone, telecommunications, telemetry and electric equipment and all other equipment (as defined in the Uniform Commercial Code on the date hereof), appliances,

appurtenances and accessions related thereto any portion of which constitutes Financed Property and IDA Equipment, and the estate, right, title and interest of either of them in and to any of the foregoing that may be subject to any security agreements (as defined in the Uniform Commercial Code) superior in lien to the lien of this Agreement;

(iv) any and all of the estate, right, title, interest, claim or demand of any nature whatsoever of the Lessee, in law or in equity, in and to all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Collateral, from the exercise of the right of eminent domain, condemnation or otherwise (including any transfer made in lieu of the exercise of said right), changes of grade of street or for any other injury to or decrease in the value of the Collateral now or hereafter located thereon, whether direct or consequential, which said awards and payments are hereby assigned, and the Secured Party is hereby authorized to collect and receive the proceeds thereof (which shall be applied according to the provisions of the Indenture and the IDA Lease Agreement) and to give proper receipts and acquaintances therefor;

(v) any and all of the estate, right, title, interest, claim or demand of any nature whatsoever of the Lessee, in law or in equity, in and to all refunds or rebates of taxes or charges in lieu of taxes, now or hereafter assessed or levied against the Collateral (which shall be applied according to the provisions of the Indenture and the IDA Lease Agreement);

(vi) any and all of the estate, right, title, claim, demand and interest of each Debtor in and to all franchises, licenses, concessions, permits, contracts and other agreements (other than Agency Reserved Rights) affecting the use or occupancy of the Collateral, or any part thereof, now or hereafter entered into and any renewals or extensions thereof and all right, title and interest of any of them thereunder, including the right to receive the issues and profits of the Collateral (subject to the terms and conditions hereinafter set forth);

(vii) to the extent permitted by law, the nonexclusive right, in the name and on behalf of each Debtor (at the sole cost and expense of the Lessee), to appear in and defend any action or proceeding brought with respect to the estate, right, title or interest of any of them in and to the Collateral and to commence any action or proceeding to protect the estate, right, title or interest of the Secured Party in and to the Collateral (subject, however, to the provisions of this Agreement hereinafter set forth and the provisions of the Indenture and the IDA Lease Agreement);

(viii) any and all right, title and interest hereafter acquired by each Debtor in and to any and all of the property described in paragraphs (i) through (viii) above and pledged by the respective Debtors thereunder; and

(ix) to the extent not included in the foregoing, all proceeds, products and accessions of and to any and all of the foregoing, including "proceeds" (within the meaning of the Uniform Commercial Code) and whatever is received upon any collection, exchange, sale or other disposition of any of the Collateral, and any property

into which any of the Collateral is converted, whether cash or noncash proceeds, and any and all other amounts paid or payable under or in connection with any of the Collateral.

Notwithstanding the foregoing, the Security Interest granted hereby in favor of the Secured Party shall be released without condition (i) with respect to any item of Collateral, if the Lessee exercises any of its rights to sell, substitute or replace any such item of Collateral pursuant to Section 8.1 of the IDA Lease Agreement, (ii) if the Debtors, each of their respective successors or assigns, shall well and truly pay, or cause to be paid, the Secured Obligations at the times and in the manner provided in the Indenture or (iii) if the Port Authority shall purchase the Facility in accordance with Section 92(v) of the PA Lease.

In addition, notwithstanding the foregoing, the Security Interest granted hereby shall in no event include any Agency Reserved Rights.

It is the intention of the parties that the foregoing description of the Collateral shall be sufficient to enable the Secured Party to take possession of, or foreclose upon, all of the right, title and interest of each Debtor in and to the Collateral and any and all property, tangible and intangible, used or useable in connection therewith, and to enable the Secured Party or its designee to, in accordance with the terms hereof, operate, sell or otherwise dispose of the entire interest of such Debtor in and to the Collateral, or any part thereof, during the occurrence and continuation of an Event of Default under the Indenture; provided, however, that all of the Collateral is hereby assigned to the Secured Party solely as security, and the Secured Party shall have no duty, liability or obligation whatsoever to such Debtor with respect to any of the Collateral, unless the Secured Party so elects in writing consistent with its rights under this Agreement.

(b) This Agreement secures, in accordance with the provisions hereof, the Secured Obligations.

3. Representations, Warranties and Covenants of Lessee. The Lessee hereby represents, warrants and covenants as follows:

(a) The Security Interest granted and created pursuant to this Agreement is a legal and valid security interest in the Collateral now owned by the Lessee or hereafter acquired.

(b) The Security Interest granted and created pursuant to this Agreement (i) with respect to such of the Collateral in which a security interest may be perfected by the filing of a Financing Statement under the Uniform Commercial Code (other than the Collateral referred to in clause (ii) below) will, upon the filing of the necessary Financing Statements in all appropriate jurisdictions, create a perfected first priority security interest in such Collateral now owned by the Agency or the Lessee as agent of the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted Encumbrances), (ii) with respect to the Collateral in which a security interest may be perfected by the Secured Party's having possession or control of such Collateral will, upon the Secured Party's taking possession or control, as applicable, of such Collateral, create a perfected first priority security interest in such Collateral now owned by the Agency or the Lessee as agent for the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted encumbrances) and (iii) with respect to all of the other

Collateral to which the Uniform Commercial Code is applicable will, upon the Lessee as agent for the Agency marking its books and records or providing notice to perfect or evidence the Secured Party's security interest therein, create a perfected first priority security interest in such Collateral now owned by Agency or the Lessee as agent for the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted Encumbrances).

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority, any regulatory body or any other Person is required of the Lessee with respect to the execution, delivery, perfection and performance of, or the grant of the Security Interest pursuant to, this Agreement (other than the filing of the Financing Statements referred to in Section 3(b) and such authorizations, approvals and other actions that have been obtained and are in full force and effect).

(d) The Lessee shall notify the Secured Party promptly in writing of any claim against the Collateral adverse in any material respect to the interest of the Secured Party hereunder.

(e) The Lessee agrees that from time to time upon the request of the Secured Party, and as agent of the Agency, the Lessee will, at its sole cost and expense, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or advisable, or that the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby in the Collateral, maintain, preserve and protect the Collateral, or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Lessee as agent of the Agency will (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Secured Party hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party, (ii) execute and file such financing or continuation statements, or amendments thereto and assignments thereof, and such other instruments, endorsements or notices, as may be necessary, or as the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby and (iii) mark its books and records or provide notice to perfect or evidence the Secured Party's security interest in such part of the Collateral (if any) in which the Secured Party's security interest cannot be perfected by filing. Lessee hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any part of the Collateral without the signature of the Lessee where permitted by law.

(f) The Lessee shall keep and maintain, at its sole cost and expense. satisfactory and complete records of the Collateral. The Lessee shall furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral (including such file search reports from such Uniform Commercial Code and other filing and recording offices and such opinions of counsel relating to the Collateral and the attachment and perfection of the Security Interest) as the Secured Party may request. The Lessee's chief executive office and principal place of business is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155; the Lessee shall promptly notify the Secured Party of any change of the foregoing.

(g) The Lessee shall not create, incur or permit to exist, and shall defend the Collateral and its other property against and take such other action as is necessary to remove, any lien or claim on or to the Collateral and its other property, other than Permitted Encumbrances, and will defend the right, title and interest of the Secured Party in and to any of the Collateral and its other property against the claims and demands of all Persons whomsoever. Except with respect to Permitted Encumbrances, none of the Debtors shall file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral and its other property in which the Secured Party is not named as the sole secured party.

(h) The Lessee shall notify the Secured Party promptly if any tangible, material items of Collateral, or any material items that are to become Collateral, are to be stored for any length of time (other than temporary storage incident to transportation to the Leased Facilities) in any location other than the Leased Facilities. The notice shall specify, in such detail as is required by the Secured Party, (i) the items that are to be stored, (ii) the location at which such items are to be stored and the name and address of the owner and operator of the storage facility, (iii) the length of time that such items are to be stored at such location and (iv) the name of the Person who is the owner of such items. To the extent necessary, the Lessee shall execute additional security agreements, financing statements and other related documents, covering the items that are to be stored, so as to perfect a first priority security interest therein in favor of the Secured Party. If for any reason a first priority security interest cannot be perfected in the items stored or to be stored, the Lessee shall promptly transport such items to the Leased Facilities. Upon instructions from the Secured Party, the Lessee shall obtain such additional insurance on the Collateral stored at any location other than the Leased Facilities as the Secured Party, reasonably deems necessary, consistent with the requirements of the Security Documents, to protect the Secured Party's interests.

(i) The Lessee shall not change its name or identity in any manner or change the location of its principal place of business or chief executive office, or conduct any business or operations in or from any office or location other than that set forth in subsection (f) hereto unless it shall have given the Secured Party at least 60 days' prior written notice thereof and shall have taken, at the Lessee's expense, all action necessary or requested by the Secured Party in order to continue the perfection and priority of the liens and security interests in the Collateral intended to be created by this Agreement.

4. Covenants of Agency. The Agency agrees that from time to time upon the request of the Secured Party, at the sole cost and expense of the Lessee, to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or advisable, or that the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby in the Collateral, maintain, preserve and protect the Collateral, or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Agency will (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Secured Party hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party, (ii) execute and file such financing or continuation statements, or amendments thereto and assignments thereof, and such other

instruments, endorsements or notices, as may be necessary, or as the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby and (iii) mark its books and records or provide notice to perfect or evidence the Secured Party's security interest in such part of the Collateral (if any) in which the Secured Party's security interest cannot be perfected by filing. The Agency hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any part of the Collateral without the signature of the Agency where permitted by law.

5. Default. The occurrence and continuation of an Event of Default under the Indenture shall be deemed a "Security Agreement Event of Default" under this Agreement.

6. Rights and Remedies During Security Documents Event of Default. (a) During a Security Agreement Event of Default, the Secured Party may, in accordance with its obligations under the Indenture, do one or more of the following:

(i) upon notice to the Debtors, which notice need not be in writing (but which notice shall promptly be confirmed in writing), make such payments and do such acts in accordance with its obligations under the Indenture, to protect, maintain, preserve, perfect or continue the perfection of the Security Interest in the Collateral and to maintain, preserve and protect the Collateral, including paying, purchasing, contesting or compromising any lien that is, or purports to be, prior to or superior to the Security Interest granted hereunder, and commencing, appearing or otherwise participating in or controlling any action or proceeding purporting to affect the Security Interest in or ownership of the Collateral;

(ii) foreclose this Agreement as herein provided or in any manner permitted by law and exercise any and all of the rights and remedies conferred upon the Secured Party by the Security Documents either concurrently or in such order as the Secured Party may determine without affecting the rights or remedies to which the Secured Party may be entitled under the Security Documents;

(iii) require the Lessee to, and the Lessee hereby agrees that it will, at its sole expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party or any other party designated by the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties;

(iv) without notice or demand or legal process, enter upon or cause its agents or assigns to enter the Facility or any other premises of the Lessee and take possession of the Collateral or operate the Facility;

(v) without notice, except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Secured Party may deem commercially reasonable. The Debtors agree that, to the extent notice of sale shall be

required by law, at least ten days notice to the Debtors of the time and the place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. At any sale of the Collateral, if permitted by law, the Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof for the account of the Secured Party. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Debtor authorizes the Secured Party, at any time and from time to time, to execute, in connection with a sale of the Collateral pursuant to the provisions of this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(vi) exercise with respect to the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party after default under the Uniform Commercial Code.

(b) The proceeds of any sale or realization of the Collateral shall be applied in accordance with Section 8.03 of the Indenture.

(c) The Secured Party may consult, at the Lessee's expense, with counsel (who may or may not be counsel to the Lessee), and the opinion of such counsel shall be full and complete authorization and protection, and the Secured Party shall be entitled to conclusively rely on the opinion of such counsel, in respect of any action taken or not taken or suffered by the Secured Party under this Agreement.

7. Security Interest Absolute. Subject to Sections 25, 31 and 33, all rights of the Secured Party hereunder, the Security Interest and all obligations of the Debtors hereunder shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Security Document, any of the Collateral or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from any of the Security Documents or any of the Collateral;

(c) any exchange, release or non-perfection of any Collateral or any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Secured Obligations; or

(d) to the fullest extent permitted by law, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Lessee, the Agency or any third party pledgor.

8. Attorney-in-Fact. Each Debtor, until payment in full of the Secured Obligations, irrevocably constitutes and appoints the Secured Party, and any other Person that the Secured

Party may designate, to act, upon the occurrence and during an Event of Default, as such Debtor's attorney-in-fact (which appointment as attorney-in-fact shall be coupled with an interest and be irrevocable), with full authority in the place and stead of such Debtor and in the name of such Debtor or otherwise, from time to time in the Secured Party's discretion and to take any action and to execute any and all documents and instruments that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to receive, endorse and collect all instruments made payable to such Debtor representing any dividends, interest payments or other distributions constituting Collateral or any part thereof and to give full discharge for the same and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all of such dividends, payments or other distributions;

(b) and to pay or discharge taxes and liens levied or placed on the Collateral;

(c) (i) to direct any party liable for any payment under or with respect to any of the Collateral to make payment of any and all monies due or to become due thereunder or with respect thereto directly to the Secured Party or as the Secured Party shall direct, (ii) to ask or demand for, to collect and to receive payment of and receipt for any and all monies, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (iii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral, (iv) to defend any suit, action or proceeding brought against such Debtor with respect to any Collateral, (v) to settle, compromise or adjust any suit, action or proceeding described in clauses (iii) and (iv) above and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate and (vi) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes and to do, at the Secured Party's option and at the Lessee's sole cost and expense, at any time, or from time to time, all acts and things that the Secured Party deems necessary to protect, maintain, preserve or realize upon the Collateral and the Security Interest granted herein and to effect the intent of this Agreement, all as fully and effectively as such Debtor might do.

Each Debtor hereby ratifies all that the Secured Party shall do or cause to be done as such Debtor's attorney-in-fact consistent with the foregoing. Each Debtor also authorizes the Secured Party, during a Security Agreement Event of Default, to communicate in its own name with any party to any Project Document at any time, with regard to any matter relating to such Project Document.

9. Secured Party May Perform. The Secured Party without releasing the Debtors from any obligation, covenant or condition hereof, itself may (but shall not be obligated to), during any Security Agreement Event of Default, make any payment or perform, or cause the performance of, any such obligation, covenant, condition or agreement or any other action in such manner and to such extent as the Secured Party may deem necessary to protect, perfect, maintain, preserve or continue the perfection of the Security Interest in the Collateral or to

protect, maintain or preserve the Collateral. Any costs or expenses incurred by the Secured Party in connection with the foregoing, including reasonable attorneys' fees and expenses, shall constitute a part of the Secured Obligations, and shall be payable upon demand by the Secured Party, as the case may be.

10. Indemnification; Subrogation; Waiver of Offset. (a) The Lessee shall indemnify the Secured Party solely in its capacity as Secured Party hereunder from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement or the Collateral or any part thereof (including enforcement of this Agreement, but excluding any such claims, losses or liabilities resulting from the Secured Party's negligence or willful misconduct).

(b) The Debtors waive any and all right to claim or recover against the Secured Party in its capacity as the Secured Party hereunder, and its directors, officers, employees, agents and representatives, for loss of or damage to the Debtors, the Collateral, the Debtors' property or the property of others under the Debtors' control from any cause to the extent insured against or required to be insured against by the provisions of the Security Documents, except for such loss or damage to the extent due to negligence or willful misconduct of the Secured Party or its directors, officers, employees or representatives.

11. Reasonable Care. The Secured Party shall exercise the same degree of care hereunder as it exercises or would exercise in connection with similar transactions for its own account. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords or would accord collateral held by the Secured Party in similar transactions for its own account.

Without limiting the generality of the foregoing and except as otherwise provided by applicable law, the Secured Party shall not be required to marshal any collateral, including the Collateral subject to the Security Interest created hereby, or to resort to any item of Collateral in any particular order; and all of the Secured Party's rights hereunder and in respect of such Collateral shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, each Debtor hereby agrees that it will not invoke any law relating to the marshaling of collateral that might cause delay in or impede the enforcement of the Secured Party's rights under this Agreement or under any other instrument evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or guaranteed.

12. Waivers of Rights Inhibiting Enforcement. Each Debtor waives (a) any claim that, as to any part of the Collateral, a public sale, if such Debtor elects so to proceed, is, in and of itself, not a commercially reasonable method of sale for such Collateral, (b) the right to assert in any action or proceeding between it and the Secured Party (solely in its capacity as Secured Party hereunder) any offsets or counterclaims that it may have, (c) except as otherwise provided in any of the Security Documents, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE SECURED PARTY'S TAKING POSSESSION OR DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT THAT EACH DEBTOR WOULD OTHERWISE

HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, AND ALL OTHER REQUIREMENTS AS TO THE TIME, PLACE AND TERMS OF SALE OR OTHER REQUIREMENTS WITH RESPECT TO THE ENFORCEMENT OF THE SECURED PARTY'S RIGHTS HEREUNDER, (d) all rights of redemption, appraisement, valuation, stay and extension or moratorium, (e) to the extent permitted by law, the benefits of all laws referred to in Section 11 and (f) all other rights the exercise of which would, directly or indirectly, prevent, delay or inhibit the enforcement of any of the rights or remedies under the Security Documents or the absolute sale of the Collateral, now or hereafter in force under any applicable law, and each Debtor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws and rights.

13. No Duty on Secured Party's Part. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for amounts that it receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtors for any act or failure to act hereunder, except for its own negligence or willful misconduct.

14. Notices. All notices, demands, requests and other communications required or permitted hereunder shall be in writing and shall be given and deemed to have been given in accordance with Section 13.03 of the Indenture.

15. Other Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The Secured Party shall have all of the rights and remedies granted under the Security Documents and available at law or in equity, and these same rights and remedies may be pursued separately, successively or concurrently against the Debtors or any collateral under the Security Documents, at the sole discretion of the Secured Party. The application of the Collateral to satisfy the Secured Obligations pursuant to the terms hereof shall not operate to release the Lessee from its Secured Obligations until payment in full of any deficiency has been made in cash.

16. Waiver. By exercising or failing to exercise any of its rights, options or elections hereunder (without also expressly waiving the same in writing), the Secured Party shall not be deemed to have waived any breach or default on the part of the Lessee or to have released the Lessee from any of its obligations secured hereby. No failure on the part of the Secured Party to exercise, and no delay in exercising (without also expressly waiving the same in writing), any right, power or privilege shall preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

17. Time of Essence. TIME IS OF THE ESSENCE WITH RESPECT TO EACH AND EVERY COVENANT, AGREEMENT AND OBLIGATION UNDER THIS AGREEMENT.

18. Successors and Assigns. All covenants, agreements, representations and warranties in this Agreement by the parties hereto shall bind and, to the extent permitted hereby,

shall inure to the benefit of and be enforceable by their respective successors and assigns, whether so expressed or not.

19. Headings. The captions, headings and table of contents used in this Agreement are for convenience only and shall not affect the construction hereof.

20. Governing Law. THE RIGHTS AND DUTIES OF EACH DEBTOR AND THE SECURED PARTY SHALL, PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF (OTHER THAN SUCH SECTION 5-1401), EXCEPT THAT SUCH LAW SHALL NOT APPLY WITH RESPECT TO ANY COLLATERAL WHERE, AND TO THE EXTENT THAT, IT IS NECESSARY TO APPLY THE LAWS OF ANOTHER JURISDICTION TO PERFECT LIENS RELATING TO THE SECURED OBLIGATIONS.

21. Amendments, Changes and Modifications. This Agreement may not be amended or terminated except as permitted by Article XII of the Indenture.

22. Assignment. The Secured Party may assign this Agreement to any successor Trustee under and in accordance with the Indenture. The appointment and replacement hereunder of the Secured Party shall be governed by Article IX of the Indenture .

23. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization, without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

24. Secured Party Not Liable. Neither this Agreement nor any action on the part of the Secured Party (other than an express written assumption) shall constitute an assumption by the Secured Party of any of the obligations of the Lessee related to any of the Collateral, and the Lessee shall continue to be liable for all such obligations whether incurred before or after a Security Agreement Event of Default.

25. No Recourse. With respect to the Agency, it is agreed that the Agency, its officers, members, employees, agents and directors shall have no personal liability hereunder, nor in their capacity as officers, members, employees, agents and directors. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of any of the Secured Obligations or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing this Agreement. No covenant herein contained shall be deemed to constitute a debt of the State of New York or of The City of New York and neither the State of New York nor The City of New York shall be liable on any covenant herein contained, nor shall the obligations secured by this Agreement be payable out of any funds of the Agency, other than those pledged therefor.

26. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

27. Continuing Assignment, Pledge and Security Interest. This Agreement shall create a continuing assignment, pledge and security interest in the Collateral and shall remain in full force and effect for the benefit of the Secured Party until the satisfaction in full of the Secured Obligations. Except as set fourth in Section 29, upon the payment in full of the Secured Obligations and all other amounts owing to the Secured Party under the Security Documents, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to each Debtor as the case may be. In connection with such termination, the Secured Party shall execute such instruments of release prepared by each Debtor as such Debtor shall reasonably request at the Lessee's sole cost and expense.

28. Security Only. This Agreement is granted for security purposes only. Accordingly, the Secured Party shall not enforce its rights with respect to the Collateral other than during an Event of Default.

29. Payments Set Aside. To the extent that either Debtor or any other Person on behalf of such Debtor makes a payment or payments to the Secured Party, or the Secured Party enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or Federal law, common law or equitable cause, then, to the extent of such recovery, the Secured Obligations, or any part thereof originally intended to be satisfied, and this Agreement and all liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

30. Further Assurances. The Debtors shall, at the Lessee's sole cost and without expense to the Secured Party or the Agency, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, assignments, notices of assignment, transfers and assurances as the Secured Party shall, from time to time, reasonably require for better assuring, conveying, assigning, transferring and confirming unto the Secured Party the property hereby conveyed, or assigned or intended now or hereafter so to be, or that the Lessee may be or hereafter become bound to convey or assign to the Secured Party, or for carrying out the intention or facilitating the performance of the terms of this Agreement, or for filing, registering or recording this Agreement.

31. Limitation of Liability of Secured Party. Notwithstanding anything to the contrary contained herein or in any of the other Security Documents, this Agreement has been executed by The Bank of New York not in its individual capacity but solely as the Secured Party in its capacity as Trustee under the Indenture and, except in the case of its negligence or willful misconduct, The Bank of New York in its individual capacity shall have no liability for the representations, warranties, covenants, agreements or other obligations of the Secured Party hereunder or in any certificates, notices or agreements delivered pursuant hereto. For all purposes of this Agreement, in the performance of its duties or obligations hereunder, the

Secured Party shall be subject to, and entitled to the benefits of, the terms and provisions of Article IX of the Indenture.

32. Conflict with Indenture. Notwithstanding anything to the contrary contained herein or in any of the other Financing Documents, all rights, duties, obligations and indemnities of the Secured Party hereunder (including the standard of care pursuant to which it acts) shall be governed by the provisions of the Indenture, including the exercise of any and all remedies hereunder. In the event of a conflict between this Agreement and the Indenture, the provisions of the Indenture shall control.

33. Agency Joinder. The Secured Party acknowledges and agrees that the Agency is joined as a party to this instrument solely for the purpose of conveying its right, title, interest and estate in and to the Collateral to the lien, encumbrance and effect of this Agreement, as security for the Secured Obligations, but the Agency shall not be responsible for paying any sums of money or taking any affirmative actions whatsoever under or pursuant to the terms of this Agreement to perform any covenants or obligations hereunder or to comply with any conditions or requirements hereunder. No provision, covenant or agreement contained in this Agreement or any obligations herein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit, and no money judgment shall ever be sought or obtained by the Secured Party against the Agency for any liabilities or obligations under this Agreement. The Secured Party also agrees with the Agency that prior to exercising any rights or remedies against the Collateral hereunder, the Secured Party shall give written notice to the Agency specifying the nature of any breach or default hereunder, and permit the Agency to cure such breach or default within the period permitted for the Lessee.

34. Lessee Directs Agency to Sign. The Lessee directs the Agency to execute and deliver this Agreement to the Secured Party, and further agrees to indemnify the Agency (and its members, officers, directors, agents, servants and employees) in connection with the execution, delivery, recording, filing, performing and enforcing of this Agreement in accordance with the provisions of Section 6.2 of the IDA Lease Agreement which provisions are incorporated by reference herein.

35. No Provision Inconsistent with PA Lease or Consent Agreement. No term or provision of, or any rights created hereunder, shall require or result in the Lessee being in breach of the PA Lease or the IDA, the Trustee or the Lessee being in breach of the Consent Agreement, and any term or condition of the Equipment Security Agreement that is contrary to or is inconsistent or conflicts with the PA Lease and/or the Consent Agreement shall be and shall be deemed to be for all purposes null, void and of no force or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

AMERICAN AIRLINES

By: _____
Name: Leslie M. Benners
Title: Managing Director
Corporate Finance and Banking

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By: _____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

THE BANK OF NEW YORK, a New York banking corporation, as Secured Party hereunder

By: _____
Name. Beverly Gardner
Title: Assistant Treasurer

APPENDIX A

DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean an irrevocable letter of credit, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit, guaranty or other similar agreement or agreements or any other agreement or agreements used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered to the Trustee in accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for one or more participants in such Depository.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

Controlled Entity shall mean any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (i) an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a Series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such Series of Bonds and issued and delivered

to the Trustee in accordance with the Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (b) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Lessee has participated or has been a party, or has been given the opportunity to participate or be a party or (c) the delivery to the Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (c) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, with respect to a Series of Bonds, each of the respective periods during which such Series of Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts and other similar obligations incurred in the ordinary course of business;

(iii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default or that are being contested in good faith

by appropriate proceedings in accordance with Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable (or which, if past due, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(viii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean at any time of the calculation thereof the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

Execution Copy

TAX CERTIFICATE AS TO ARBITRAGE AND THE PROVISIONS OF SECTIONS 103 AND 141-150 OF THE INTERNAL REVENUE CODE OF 1986

In connection with the issuance by the New York City Industrial Development Agency (the **"Agency"**) of its $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002A Bonds**") and its $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002B Bonds**," and together with the Series 2002A Bonds, the **"Series 2002 Bonds"**), and in furtherance of the covenants of American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the **"Lessee"**), contained in Section 6.5 of the IDA Lease Agreement (the **"Lease Agreement"**) dated as of July 1, 2002 between the Agency and the Lessee, and pursuant to Treasury Regulation Section 1.148-2(b)(2), the Agency and the Lessee make and enter into the following Tax Certificate.

SECTION 1. DEFINITIONS. (a) Capitalized terms used and not otherwise defined herein shall have the meanings set forth in Appendix I or Appendix III or, if not so defined, in the Master Indenture of Trust dated as of July 1, 2002 between the Agency and The Bank of New York, as Trustee, as amended and supplemented through the date hereof.

(b) Placed In Service Dates shall have the meaning as defined in Section 4 (d) of the Lessee Certificate (defined below).

SECTION 2. REPRESENTATIONS.

(a) Purpose. The Series 2002 Bonds are being issued on the date hereof (the **"Delivery Date"**) to (i) finance a portion of the costs of the construction, equipping, improvement and renovation of an air passenger terminal consisting of the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the "**Airport**") in Queens, New York and the acquisition, construction and equipping of a new passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal, all to be used and managed by the Lessee (collectively the "**Facility**") as more fully described in the Certificate Regarding Qualification as Exempt Facility Bonds attached hereto as Exhibit A (the **"Lessee Certificate"**), (ii) fund the Debt Service Reserve Fund in the amount of the Debt Service Reserve Account Requirements for the Series 2002A Bonds and the Series 2002B Bonds, (iii) pay the Costs of Issuance of the Series 2002 Bonds and (iv) to pay a financing fee to the Agency and a fee to the State.

(b) Single Issue. Neither the Agency nor the Lessee will issue other obligations which will be: (i) sold at substantially the same time as the Series 2002 Bonds (i.e., within 15 days before or after July 25, 2002, the first day on which there is a binding contract in writing for the sale of the Series 2002 Bonds); (ii) sold pursuant to the same plan of financing with the Series 2002 Bonds; and (iii) reasonably expected to be paid from substantially the same source of funds as will be used to pay the Series 2002 Bonds.

(c) No Replacement; Average Life of Assets. No portion of the amounts received from the sale of the Series 2002 Bonds will be used as a substitute for other funds which were otherwise to be used as a source of financing for the Facility and which have been or will be used to acquire, directly or indirectly, Investment Property producing a yield in excess of the Bond Yield (as defined in Section 3(j)(1) below). The weighted average maturity of the Series 2002 Bonds (18.2077 years) does not exceed 120 percent of the average reasonably expected economic life of the portion of the Facility expected to be financed with the Series 2002 Bonds (48.52 years); see Exhibit D of the Lessee Certificate.

(d) Statement as to Facts, Estimates and Circumstances. The facts and estimates set forth in this Tax Certificate and the Lessee Certificate on which the Agency's and the Lessee's respective expectations as to the amount and use of the Gross Proceeds of the Series 2002 Bonds are based are made to the best of the knowledge and belief of the respective undersigned officers of the Agency and the Lessee, and the Agency's and the Lessee's respective expectations are reasonable.

(e) Responsible Persons. The undersigned officer of the Agency is responsible for the issuance of the Series 2002 Bonds, and has made due inquiry with respect to and is fully informed as to the matters set forth herein. The undersigned officer of the Lessee has made due inquiry with respect to and is fully informed as to the matters set forth herein which pertain to the Lessee.

(f) Series 2002 Bonds Not Hedge Bonds. The Agency and the Lessee reasonably expect that at least 85 percent of the Net Sale Proceeds of the Series 2002 Bonds will be spent on the Facility within three years of the Delivery Date and not more than 50 percent of the proceeds of the Series 2002 Bonds will be invested in Nonpurpose Investments having substantially guaranteed yields for four years or more.

SECTION 3. REASONABLE EXPECTATIONS OF THE AGENCY AND THE LESSEE AS TO FACTS, ESTIMATES AND CIRCUMSTANCES. The Agency and the Lessee make the following representations and statements of fact and expectation on the basis of which it is not expected that the Gross Proceeds of the Series 2002 Bonds will be used in a manner that would cause the Series 2002 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code:

(a) Application of Sale Proceeds and Pre-Issuance Accrued Interest.

(1) Sale Proceeds; No Overissuance. The Sale Proceeds received by the Agency from the sale of the Series 2002 Bonds (the **"Sale Proceeds")** will be $475,108,200.00, which amount consists of the aggregate principal amount of $500,000,000.00 of the Series 2002 Bonds minus original issue discount of $24,891,800.00 and is exclusive of Pre-Issuance Accrued Interest of $3,491,666.67. The Sale Proceeds and the reasonably expected investment earnings thereon do not exceed the reasonably expected amounts necessary for the purposes set forth in Section 2(a) hereof.

(2) Acquisition and Construction of Project. An aggregate amount of the Sale Proceeds of $415,072,380.00 will be deposited into construction accounts in the Project

Fund designated for the Series 2002A Bonds and the Series 2002B Bonds ("**Series 2002 Construction Accounts**") and is expected to be used to pay or reimburse the Project Costs.

(3) Cost of Issuance. An aggregate amount of the Sale Proceeds equal to $6,500,000.00 is expected to be used to pay Costs of Issuance (which includes underwriter's discount of $2,625,000.00). Such amount does not exceed 2% of the Sale Proceeds.

(4) Agency and State Fees. An aggregate amount of Sale Proceeds equal to $6,025,000.00 is expected to be used to pay the financing fee of the Agency and the State fee.

(5) Debt Service Reserve Fund. An aggregate amount of Sale Proceeds equal to $47,510,820.00 will be deposited into the debt service reserve accounts in the Debt Service Reserve Fund designated for the Series 2002A Bonds and the Series 2002B Bonds (the "**Series 2002 Debt Service Reserve Accounts**") to serve as a reasonably required reserve fund.

(6) Pre-Issuance Accrued Interest. An aggregate amount equal to $3,491,666.67 will be deposited in the interest accounts in the Bond Fund designated for each the Series 2002A Bonds and the Series 2002B Bonds (the "**Series 2002 Interest Accounts**") and will be used to pay debt service on the first Interest Payment Date.

(b) Investment Earnings. Investment earnings on Sale Proceeds in the Project Fund and the Debt Service Reserve Fund shall be credited prior to the completion of the Facility to the Project Fund and after completion of the Facility to the redemption accounts designated for the Series 2002 Bonds in the Bond Fund, in the case of earnings derived from the Project Fund and to the interest accounts designated for the Series 2002 Bonds in the Bond Fund, in the case of earnings derived from the Debt Service Reserve Fund.

(c) Project Fund; Rebate Fund. The Agency and the Lessee do not expect that any amounts in the Project Fund or the Rebate Fund will be used to pay debt service on the Series 2002 Bonds, and there is no assurance that amounts accumulated therein will be available to pay debt service on the Series 2002 Bonds if the Lessee encounters financial difficulties.

(d) Bond Fund; Lease Payments Fund. Except for the Bond Fund, which contains the interest accounts, principal accounts, sinking fund installment accounts and redemption accounts designated for the Series 2002A Bonds and the Series 2002B Bonds, and the Lease Payments Fund (said accounts and fund being collectively referred to as the "**debt service fund**"), neither the Agency nor the Lessee have created or established, or expect to create or establish, any fund or account in connection with the Series 2002 Bonds that is reasonably expected to be used to pay debt service on the Series 2002 Bonds. The debt service fund will be used primarily to achieve a proper matching of revenues with principal and interest payments on the Series 2002 Bonds within each Bond Year and will be depleted at least annually, except for a reasonable carryover amount not to exceed the greater of (i) the earnings on amounts in the debt service fund for the immediately preceding Bond Year, or (ii) one-twelfth of the principal and interest

payments on the Series 2002 Bonds for the immediately preceding Bond Year. Amounts deposited in the debt service fund (other than any reasonable carryover amount permitted under the preceding sentence) will be used to pay debt service on the Series 2002 Bonds within a thirteen-month period beginning on the date of deposit therein.

(e) Debt Service Reserve Fund. The Indenture establishes a Debt Service Reserve Fund, and. within such fund the Series 2002 Debt Service Reserve Accounts, to be used to pay debt service on the Series 2002 Bonds if on the due date for payment of the interest on, or principal or Sinking Fund Installment of, the Series 2002 Bonds, amounts in the Bond Fund are insufficient to make such payment. The amount of Sale Proceeds deposited in the Series 2002 Debt Service Reserve Accounts, $47,510,820.00, is equal to the sum of the Debt Service Reserve Account Requirements for the Series 2002A Bonds and the Series 2002B Bonds. Said amount does not exceed the lesser of (i) 10% of the Sale Proceeds of the Series 2002 Bonds, (ii) 125% of average annual debt service on the Series 2002 Bonds and (iii) maximum annual debt service on the Series 2002 Bonds. Salomon Smith Barney Inc., the senior managing underwriter of the Series 2002 Bonds, has advised the Agency that the Series 2002 Debt Service Reserve Accounts and the amount of the Debt Service Reserve Account Requirements for the Series 2002 Bonds are of the type and size of accounts customarily required in financings of the size and nature of the Series 2002 Bonds and the failure to provide for these accounts at their required amounts would materially and adversely affect the interest rates or yields at which the Series 2002 Bonds could be sold.

(f) Mortgage Reserve Fund. The Indenture establishes a Mortgage Reserve Fund and within such fund the Foreclosure Payment Account. The IDA Lease Agreement requires the Lessee to fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement in the event that certain conditions are satisfied obligating the Lessee under the IDA Lease Agreement to execute and deliver the Leasehold Mortgage to the Leasehold Mortgagee. Amounts in the Foreclosure Payment Account shall be applied after a Leasehold Mortgage Default to pay the Port Authority amounts due and unpaid under the PA Lease and the General Airport Agreement and certain other fees as one of the conditions precedent to foreclosure upon the Leasehold Mortgage, unless the Trustee determines that it is in the best interest of the Bondholders, or the holders of a majority in aggregate principal amount of outstanding Bonds directs, to apply the such amounts to the payment of debt service on the Bonds. There can be no assurance that the Trustee will determine, or that a majority in aggregate principal amount of outstanding Bonds will direct, that the amounts in the Foreclosure Payment Account be used to pay debt service on the Series 2002 Bonds. In addition, should the Leasehold Mortgage be executed and delivered, no Leasehold Mortgage Default is anticipated during the term of the Bonds and the Indenture provides that upon repayment of the Bonds amounts in the Mortgage Reserve Fund shall be paid to the Lessee. The Foreclosure Payment Amount Requirement is $18,600,000 and such amount (if required to be deposited) together with the sum of the Debt Service Reserve Account Requirements for the Series 2002 Bonds is less than 15% of the Sale Proceeds of the Series 2002 Bonds. Salomon Smith Barney Inc., the senior managing underwriter of the Series 2002 Bonds, has advised the Agency that if the Lessee had not agreed to execute and deliver the Leasehold Mortgage upon the satisfaction of certain conditions and to establish and fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement, the interest rates or yields at which the Series 2002 Bonds could be sold would have been materially and adversely affected.

(g) No Other Funds. Other than the Funds and Accounts specifically described in this Tax Certificate, no fund or account which secures or otherwise relates to the Series 2002 Bonds has been established, nor are any such funds or accounts expected to be established, pursuant to any instrument.

(h) Expenditure of Proceeds of the Series 2002 Bonds.

(1) Expenditure Test. The Agency and the Lessee reasonably expect that at least 85 percent of the Net Sale Proceeds of the Series 2002 Bonds will be allocated to expenditures for the Facility within three years of the Delivery Date.

(2) Time Test. The Lessee has already commenced construction and has entered into substantial binding obligations with third parties to expend at least five percent of the Net Sale Proceeds of the Series 2002 Bonds on the Project.

(3) Due Diligence Test. The Lessee will proceed with due diligence to complete the Facility and to allocate the Net Sale Proceeds of the Series 2002 Bonds to expenditures for the Project.

(i) Lease Agreement - Yield. The Lease Agreement creates an obligation. It is not clear whether the Lease Agreement constitutes investment property within the meaning of Section 148 of the Code, however, if such Lease Agreement were treated as investment property, the yield does not exceed the Bond Yield by more than one-eighth of one percent, as advised by Bond Counsel after Bond Counsel's consideration of the Lease Agreement and the following items:

(1) the payment to the Agency by the Lessee of an application fee in the amount of $2,500 in 1999 when the Lessee submitted its financing application to the Agency;

(2) the use of Sale Proceeds to pay the Agency's financing fee of $2,525,000 and the State fee of $3,500,000;

(3) the payments by the Lessee the Trustee, in the manner described in the Lease Agreement, of amounts sufficient to pay when due debt service on the Series 2002 Bonds; and

(4) the fact that the Lessee shall make no other payments to the Agency with respect to the Series 2002 Bonds other than amounts to reimburse the Agency for in-house legal services and for future out-of-pocket expenses related to the Series 2002 Bonds.

The Agency's portion of employees' costs of salaries and out-of-pocket expenses attributable to issuing and carrying the Series 2002 Bonds is at least $25,000.00. Bond Counsel advises that such portion of payments referred to in subsections 3(g)(1) and (2) are Qualified Administrative Costs of a Purpose Investment.

(j) Yield.

(1) Bond Yield. The yield on the Series 2002 Bonds (the **"Bond Yield"**) is the discount rate that, when used in computing the present value as of the Delivery Date of all unconditionally payable payments of interest on, and principal and Sinking Fund Installments of, the Series 2002

Bonds produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Series 2002 Bonds as of the Delivery Date. The present value as of the Delivery Date of the aggregate issue price of the Series 2002 Bonds, based upon certain information provided by Salomon Smith Barney Inc. as the senior managing underwriter of the Series 2002 Bonds (see Exhibit B attached hereto), is $478,599,866.67 (the face of the Series 2002 Bonds of $500,000,000.00 plus accrued interest of $3,491,666.67, less original issue discount of $24,891,800.00). The Bond Yield for the Series 2002 Bonds computed in this manner, and based upon calculations provided by Salomon Smith Barney Inc., is 8.983171 percent. In calculating such yield, the Series 2002B Bonds have been treated as redeemed in accordance with their mandatory sinking fund redemption schedule without any adjustment to the amount of the Sinking Fund Installments being required by Treas. Reg. § 1.148-4(b)(2)(ii) (since the original issue discount in respect of the Series 2002B Bonds is less than the product of .25% times the face amount of the Series 2002B Bonds times the weighted average life of the Series 2002B Bonds). In addition, Bond Counsel advises that, under the Treasury Regulations currently in effect, the Series 2002 Bonds could be construed as a Variable Yield Issue since the Series 2002B Bonds are subject to mandatory tender for purchase if the Lessee elects to adjust the Series 2002B Bonds to a new Long-Term Interest Rate Period on a day on which the Series 2002B Bonds would otherwise be subject to optional redemption. Accordingly, in complying with any applicable yield limitations set forth below, the Bond Yield shall be the lesser of 8.983171% and the yield of the Series 2002 Bonds computed as the Yield of a Variable Yield Issue.

(2) No Hedge Contract. Neither the Agency nor the Lessee has entered into a Hedge with respect to the Series 2002 Bonds or the Lease Agreement. The Agency and the Lessee will not enter into a Hedge in respect of the Series 2002 Bonds or the Lease Agreement unless there is first received an opinion of Bond Counsel that such Hedge will not adversely affect the exclusion of interest on the Series 2002 Bonds from gross income for federal income tax purposes.

(3) Expectations Regarding Yield Limitations. Investments of Gross Proceeds of the Series 2002 Bonds in Investment Property will be subject to the following yield limitations:

Fund or Account	Temporary Period of Unrestricted Investment	Restriction After Temporary Period, If Any	Excepted From Rebate (Yes)/(No)
Project Fund	3 years[1]	Bond Yield plus .125 percent[2]	No

[1] The temporary period for Investment Proceeds earned in the Project Fund ends on the date which is the later of three years after the delivery date or one year after receipt.

[2] If, at the same time, there are Proceeds invested in the Project Fund beyond their temporary period and any other Nonpurpose Investments held beyond an applicable temporary period, the investment yield limit for Proceeds in the Project Fund is the Bond Yield plus .001 percent.

Bond Fund, Lease Payments Fund	13 months[3]	Bond Yield, plus .001 percent	Yes[4]
Debt Service Reserve Fund	Unlimited[5]	N/A	No
Foreclosure Payment Account	Unlimited	N/A	No
Replacement Proceeds	30 days	Bond Yield, plus .001 percent	No

SECTION 4. REBATE REQUIREMENT, CALCULATIONS AND PAYMENT. The Lessee has covenanted in Section 6.5 of the Lease Agreement to comply with the rebate requirement of Section 148(f) of the Code (the **"Rebate Requirement").** The regulations promulgated thereunder are described in Appendix II. In addition, Appendix III sets forth certain spending exceptions to the Rebate Requirement. The Agency has not elected the penalty in lieu of rebate.

SECTION 5. ALLOCATION AND ACCOUNTING RULES. The Agency and the Lessee, to the extent each is responsible for the investment of Gross Proceeds of the Series 2002 Bonds, shall comply with the allocation and accounting rules described in Appendix IV for purposes of allocating Gross Proceeds to the Series 2002 Bonds, allocating Gross Proceeds to investments, and allocating Gross Proceeds to expenditures.

SECTION 6. PROHIBITED INVESTMENTS AND DISPOSITIONS. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment. The Agency and the Lessee shall comply with the procedures with respect to compliance with these requirements contained in Appendix V.

SECTION 7. NO FEDERAL GUARANTEE. The Agency and the Lessee covenant not to invest five percent or more of the proceeds of the Series 2002 Bonds in federally insured deposits or accounts or otherwise invest such proceeds in any obligation the payment of principal or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States (or any agency or instrumentality thereof). Notwithstanding the foregoing, the Agency

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[3] To the extent the requirements of Section 3(d) are met.

[4] Earnings on amounts in the Bond Fund will not be subject to the Rebate Requirement for any Bond Year in which such earnings are less than $100,000 in the aggregate. This $100,000 limitation may be treated as satisfied if the average annual debt service on the Series 2002 Bonds does not exceed $2,500,000.

[5] Subject to the limitations of Section 3(e).

and the Lessee may invest the proceeds of the Series 2002 Bonds in any investment guaranteed by the following agencies of the United States: (a) the Federal Housing Administration; (b) the Veterans Administration; (c) the Federal National Mortgage Association; (d) the Federal Home Loan Mortgage Corporation; and (e) the Government National Mortgage Association. Moreover, the Agency and the Lessee may invest the proceeds of the Series 2002 Bonds (a) during an initial temporary period until such proceeds are needed for the purpose for which the Series 2002 Bonds were issued; (b) in a bona fide debt service fund; (c) in a reasonably required reserve or replacement fund; (d) in obligations issued by the United States Treasury; (e) in investments in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; or (f) in a refunding escrow.

SECTION 8. UNEXPENDED BOND PROCEEDS. Any proceeds of the Series 2002 Bonds which remain unexpended upon completion of the Facility shall be used to redeem Series 2002 Bonds then outstanding. If all of the Series 2002 Bonds are callable only at a future date, all of the unexpended proceeds of the Series 2002 Bonds must be placed in escrow until the first date on which the Series 2002 Bonds may be called. None of the Series 2002 Bonds has call protection in excess of 10.5 years from the date hereof. The amount placed in escrow may not be invested at a yield in excess of the yield on the Series 2002 Bonds.

SECTION 9. QUALIFICATION AS EXEMPT FACILITY. Based upon representations in the Lessee Certificate, at least 95 percent of the sum of the Net Sale Proceeds (as defined in the Lessee Certificate), taking into account certain imputed proceeds, if any, and Investment Proceeds received prior to the Placed in Service Dates will be used to provide a facility described in Section 142(a)(1) of the Code. See the Lessee Certificate attached as Exhibit A. Neither the Lessee nor the Agency will take any action or omit to take any action within its control, the effect of which would cause the sum of the Net Sale Proceeds of the Series 2002 Bonds and Investment Proceeds received prior to the Placed in Service Dates to be used other than in the manner described in this section.

SECTION 10. VOLUME CAP. No portion of the Series 2002 Bonds is subject to the private activity bond limit under Section 146 of the Code.

SECTION 11. INFORMATION REPORTING. The Agency has reviewed the Internal Revenue Service Form 8038 to be filed in connection with the issuance of the Series 2002 Bonds, a copy of which is attached hereto as Exhibit D, and all of the information contained therein is, to the best of the Agency's knowledge, true and complete.

SECTION 12. AMENDMENTS. This Tax Certificate has been executed pursuant to the Lease Agreement wherein the Lessee has made certain covenants to maintain the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation under Section 103 of the Code. This Tax Certificate sets forth the information, representations, and procedures necessary in order for Bond Counsel to render its opinion regarding the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation and may be amended or supplemented from time to time to maintain such exclusion only with the approval of Bond Counsel.

Notwithstanding any other provision herein, the covenants and obligations contained herein, to the extent compliance is within the control of the Lessee may be and shall be deemed modified to the extent the Agency secures an opinion of Bond Counsel that any action required hereunder is no longer required or that some further action is required in order to maintain the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation under the Code.

SECTION 13. SUPPLEMENTATION OF THIS CERTIFICATE. At any time that the Agency and/or the Lessee believe that it may be necessary or appropriate, the Agency and the Lessee will supplement or amend this Tax Certificate in a manner such that Bond Counsel may continue to be of the opinion that interest on the Series 2002 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code. The Agency and the Lessee acknowledge that in the event there is any conflict between the reasonable expectations set forth herein and the provisions of the supplements or amendments hereto, such supplements or amendments will govern.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

AMERICAN AIRLINES, INC.

By:_____
Name: Leslie M. Benners
Title: Managing Director, Corporate Finance
and Banking

Dated: July 31, 2002

Appendix I

General Definitions

A. **Bond Counsel** shall mean Winston & Strawn or any other law firm appointed by the issuer, having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds.

B. **Bond Year** shall mean each one year period that ends on the day selected by the issuer. The first and last Bond Years may be short periods. If no day is selected by the issuer before the date that is five years from the issue date, each Bond Year ends on the anniversary of the issue date and on the final maturity date.

C. **Bond Yield** shall have the meaning set forth in the Tax Certificate.

D. **Code** shall mean the Internal Revenue Code of 1986, as amended to the date hereof.

E. **Commingled Fund** shall mean any fund or account containing both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

F. **Computation Date** shall mean each date on which the rebate amount for an issue is computed. For a Variable Yield Issue, Computation Date means the last day of any Bond Year selected by the issuer ending on or before the latest date on which the first rebate payment is required to be paid and after such first payment date, shall be either the end of each Bond Year or the end of each fifth Bond Year, provided that the alternative selected shall be consistently used after the first required rebate payment date.

G. **Computation Date Credit** shall mean, with respect to an issue, a credit of $1,000 against the rebatable arbitrage on (i) the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of an issue that are subject to the Rebate Requirement; and (ii) the final maturity date for an issue.

H. **Computation Period** shall mean the period between Computation Dates. The first Computation Period begins on the date hereof and ends on the first Computation Date. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the next Computation Date.

I. **Fixed Yield Bond** or **Fixed Yield Investment** shall mean any bond or investment the yield on which is fixed and determinable on the date of original issue.

J. **Gross Proceeds** shall mean any Proceeds and Replacement Proceeds of an issue.

K. **Hedge** shall mean any contract entered into primarily to reduce the risk of interest rate changes with respect to the Series 2002 Bonds, including, but not limited to, an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option.

L. Investment Proceeds shall mean any amounts actually or constructively received from investing Proceeds of an issue.

M. Investment Property shall include: (i) any security or obligation (other than a Tax-exempt Bond not described in clause (iv), below) within the meaning of Section 148(b)(2) of the Code, (ii) any annuity contract; (iii) as to the Gross Proceeds of Series 2002 Bonds other than private activity Series 2002 Bonds, any interest in any residential rental property for family units which is not located within the jurisdiction of the issuer; (iv) as to Gross Proceeds of Series 2002 Bonds the interest on which is excluded from Federal gross income and which is not an item of tax preference within the meaning of Section 57(a)(5) of the Code, any Tax-exempt Bond that is a "specified private activity bond" within the meaning of Section 57(a)(5)(C); and (v) any other Investment-Type Property.

N. Investment-Type Property shall include any property that is held principally as a passive vehicle for the production of income. A prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if (i) the prepayment is made for a substantial business purpose other than investment return and the issuer has no commercially reasonable alternative to the prepayment; or (ii) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the issuer but who are not beneficiaries of tax-exempt financing. Investment-Type Property also includes a contract that hedges the issuer's risk of interest rate changes if that contract contains a significant investment element (i.e., an expected return), such as one that provides for non-periodic payments or payments that do not otherwise correspond closely in time.

O. Issue Price of the Series 2002 Bonds shall mean the issue price as defined in Code Section 1273 and 1274 and generally is, (i) in a public offering, is the first price at which a substantial (*i.e.*, 10%) amount of the Bonds is sold to the public (not including bond houses, brokers, or a similar person or organizations acting in the capacity of underwriters or wholesalers), or (ii) where bonds are not sold in a public offering, the price paid by the first purchaser. The issue price of Bonds for which a bona fide public offering is made is determined as of the date of sale based on reasonable expectations regarding the initial public offering price.

P. Multipurpose Issue shall mean an issue that is used for two or more separate governmental purposes.

Q. Net Sale Proceeds shall mean Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund.

R. Nonpurpose Investment shall mean any Investment Property that is not a Purpose Investment.

S. Nonpurpose Payment shall mean:

1. amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a Commingled Fund);

2. in the case of a Nonpurpose Investment that is first allocated to an issue on a date after it is actually acquired (e.g., an investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the Rebate Requirement on a date after it is actually acquired (e.g., an investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the two year spending period), the Value of that investment on that date;

3. in the case of a Nonpurpose Investment that was allocated to an issue at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period; and

4. the Computation Date Credit.

T. **Nonpurpose Receipt** shall mean:

1. amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a Commingled Fund);
2. in the case of a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (e.g., an investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the Universal Cap) or that ceases to be subject to the Rebate Requirement on a date earlier than its disposition or redemption date (e.g., an investment allocated to a fund initially subject to the Rebate Requirement but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date; and

3. in the case of a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that Computation Period.

U. **Plain Par Bond (or Plain Par Investment)** shall mean a bond (or an investment) (i) issued (or, in the case of an investment acquired on a date other than the issue date, acquired) with not more than a de minimis amount (i.e., two percent of stated principal amount) of discount or premium; (ii) issued for a price that does not include accrued interest, other than Pre-Issuance Accrued Interest; (iii) that bears interest from the issue date at a single, stated, fixed rate or that is a variable rate debt instrument under Section 1275 of the Code, in each case with interest unconditionally payable at least annually; and (iv) that has a lowest stated redemption price that is not less than its outstanding stated principal amount. In addition, a plain Par Bond shall include a "qualified tender bond" as defined in I.R.S. Notice 88-130.

V. **Pre-Issuance Accrued Interest** shall mean amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the issue date.

W. **Present Value** shall mean an amount to be determined by using the formula PV = FV divided by $(1+i)^n$, where PV equals the Present Value of the amount to be received or paid, FV equals the amount to be received or paid, i equals the discount rate (expressed as a decimal) divided by the number of compounding intervals in a year, and n equals the sum of the number of whole compounding intervals beginning on the date as of which the present value is computed and ending on the date the amount is to be received or paid, and a fraction, the numerator of which is the length of any short compounding interval during such period, and the denominator of which is the length of a whole compounding interval.

X. **Proceeds** shall mean any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue.

Y. **Purpose Investment** shall mean an investment that is acquired to carry out the governmental purpose of an issue.

Z. **Qualified Administrative Costs** shall mean reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving Tax-exempt Bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, certain indirect administrative costs may be characterized as Qualified Administrative Costs with respect to Nonpurpose Investments in publicly offered regulated investment companies and certain "external commingled funds", as defined in §1.148-5(e)(2)(ii) of the Treasury Regulations. For a guaranteed investment contract, a broker's commission or similar fee paid on behalf of either an issuer or the provider is not a Qualified Administrative Cost to the extent that the present value (using the taxable rate applied by the parties to the contract in determining the commission or fee as the discount rate, or if that rate is not readily ascertainable then a reasonable taxable discount rate) of the commission or fee as of the date the contract is first allocated to the issue exceeds the present value of annual payments equal to .05 percent of the weighted average amount reasonably expected to be invested each year of the term of such contract.

AA. **Qualified Guarantee** shall mean a qualified guarantee within the meaning of Treas. Reg. Section 1.148-4(f).

BB. **Qualified Hedge** shall mean a Hedge meeting the requirements of Treas. Reg. Section 1.148-4(h).

CC. **Rebate Bond Yield** shall mean the Bond Yield unless either:

1. the issuer or any conduit borrower enters into a hedge transaction (e.g., interest rate swap, interest rate cap or collar) which has not otherwise been taken into account in computing the Bond Yield, in which case the issuer shall consult with Bond Counsel prior to entering into such a transaction to obtain guidance as to the determination of the Rebate Bond Yield; or

2. the issuer or any conduit borrower, in a transaction that is separate and apart from the original sale of an issue, transfers, waives or modifies any

right that is part of the terms of an issue (e.g., a sale of the call rights on an issue). The issuer shall consult with Bond Counsel prior to entering into any such transaction.

DD. Rebate Requirement shall have the meaning ascribed thereto in the Tax Certificate.

EE. Replacement Proceeds shall mean amounts that have a sufficiently direct nexus to an issue to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the issue were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on an issue if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties. Replacement Proceeds also include working capital reserves that are directly or indirectly financed with Proceeds of the issue. Replacement Proceeds also include amounts held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders of the Series 2002 Bonds or any guarantor of the Series 2002 Bonds (known as a "negative pledge"), unless either (i) the issuer may grant rights in the amount that are superior to the rights of the bondholders or the guarantor or (ii) the amount is not in excess of the reasonable needs for which it is maintained, is tested not more frequently than once every six months and may be spent without any substantial restriction other than it be replenished before the next testing date.

FF. Sale Proceeds shall mean any amounts actually or constructively received by the issuer from the sale of an issue, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest. Sale Proceeds also include any amounts derived from the sale or other transfer of a right that is associated with any bond that is part of the issue (e.g., the sale of a redemption right) in a transaction that is separate and apart from the original sale of the bond.

GG. Tax-exempt Bond means any bond the interest on which is excludable from gross income under Section 103 of the Code. In addition, in the context of investments of Gross Proceeds in Tax-exempt Series 2002 Bonds, such investments also include (i) an interest in a regulated investment company to the extent that at least 95 percent of the income to the holder thereof is interest excludable from gross income under Section 103 of the Code or (ii) a United States Treasury State and Local Government Series-Demand Deposit Certificate of Indebtedness.

HH. Treasury Regulations shall mean the Treasury Regulations promulgated pursuant to Sections 103 and 141 through 150 of the Code, as in effect and applicable to the issue, and to the extent applicable, any subsequent amendments to such regulations or any successor regulations.

II. **Universal Cap** shall mean the Value of all then outstanding Series 2002 Bonds of the issue.

JJ. **Value (of a Bond)** shall mean with respect to a Plain Par Bond, the outstanding principal amount, plus accrued unpaid interest. The Value of any other bond on a date is its Present Value on such date, taking into account all the unconditionally payable payments of principal, interest and fees for a Qualified Guarantee to be paid on or after that date and using the yield on the bond as the discount rate. In determining the Present Value of a Variable Yield Bond for this purpose, the initial interest rate setting mechanism is used to determine the interest payments on that bond.

KK. **Value (of an Investment)** shall have the following meaning in the following circumstances:

1. General Rules. Subject to the special rules in the following paragraph, an issuer may determine the Value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(i) a debt obligation acquired with not more than a two percent discount or premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest;

(ii) a fixed rate investment may be valued at its present value;

(iii) an investment may be valued at its fair market value on a date.

2. Special Rules.

(i) Yield restricted investments are to be valued at present value;

(ii) Except as otherwise provided in clause (i), above, regarding yield restricted investments, an investment must be valued at its fair market value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, unless it is an investment either (A) that is allocated from one exclusively tax-exempt issue to another exclusively tax-exempt issue as a result of transferred proceeds or the application of the Universal Cap or (B) that is an investment in a Commingled Fund (other than a commingled bona fide debt service fund) other than on its initial deposit to or withdrawal from a commingled common reserve, replacement or sinking fund.

(iii) Except as otherwise provided in clause (i), above, regarding yield restricted investments, in the case of transferred proceeds, the Value of a nonpurpose investment that is allocated to transferred proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

LL. Variable Yield Issue shall mean any bond whose yield is not fixed and determinable on the issue date.

MM. Yield Reduction Payment shall mean:

1. General Rule. Amounts paid to the United States with respect to applicable investments, including a rebate payment, may be treated as a payment that reduces the yield on that investment.

2. Time of Payment. Yield reduction payments must be made at the same time and in the same manner as rebate amounts or at such other time or in such manner as the Internal Revenue Service prescribes. However, for a Purpose Investment, no yield reduction payments need be made until the earlier of the end of the 10th Bond Year or 60 days after the date on which the Series 2002 Bonds are no longer outstanding, and for payments prior to the date on which the Series 2002 Bonds are retired, the issuer need not pay more than 75 percent of the amount otherwise required to be paid as of the date to which the payment relates.

3. Applicable Investments are:

(i) Nonpurpose Investments allocable to proceeds of an issue qualifying for a temporary period for capital projects; and

(ii) investments allocable to a Variable Yield Issue during a Computation Period in which at least 5 percent of the value of the issue consists of variable yield Series 2002 Bonds.

NN. Yield of a Variable Yield Issue shall be computed separately for each Computation Period, and is the discount rate, that, when used in computing the Present Value as of the first day of the Computation Period for all payments of principal and interest and fees for Qualified Guarantees that are attributable to the Computation Period, produces an amount equal to the Present Value, using the same discount rate, of the aggregate Issue Price of the Series 2002 Bonds as of the first day of the Computation Period. For this purpose, the aggregate Issue Price of the Series 2002 Bonds as of the first day of any Computation Period other than the first Computation Period shall be the aggregate of the Values of the outstanding Series 2002 Bonds as of the last day of the preceding Computation Period.

Payments on the Series 2002 Bonds during a Computation Period include (A) amounts actually paid during the period for principal on the Series 2002 Bonds; (B) amounts paid during the current period both for interest accruing on the Series 2002 Bonds during the current period and for interest accruing during the prior period that was included in the Deemed Issue Price of the Series 2002 Bonds as accrued unpaid interest at the start of the current period; (C) amounts properly allocable to a Qualified Guarantee of the Series 2002 Bonds for the period; and (D) amounts properly allocable to a Qualified Hedge for such period. To the extent a bond is actually redeemed during a Computation Period, an amount equal to the greater of its value on the redemption date or the actual redemption price is treated as a payment on the actual

redemption date. Further, if the bond is outstanding at the end of the Computation Period, the value of such bond is taken into account on the last day of that Computation Period. Upon conversion of a Variable Yield Issue to a Fixed Yield Issue, the redemption price of the Variable Yield Issue and the Issue Price of the Fixed Yield Issue equal the aggregate values of the Series 2002 Bonds on the conversion date. If the conversion date occurs on a date other than a Computation Date, the issuer may continue to treat the issue as a Variable Yield Issue until the next Computation Date, at which time it must be treated as converted to a Fixed Yield Bond.

Appendix II

Rebate Requirement

(a) Generally. Section 148(f) of the Code requires that certain earnings on Nonpurpose Investments allocable to the Gross Proceeds of an issue be paid to the United States to prevent the bonds of the issue from being arbitrage bonds. The arbitrage that must be rebated is based on the difference between the amount actually earned on Nonpurpose Investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue. As of any date, the rebate amount for an issue is the excess of the future value, as of that date, of all receipts on Nonpurpose Investments over the future value, as of that date, of all payments on Nonpurpose Investments. The future value of a payment or receipt at the end of any period is determined using the economic accrual method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the yield on the issue, using the same compounding interval and financial conventions used to compute that yield.

(b) Computation Dates (other than the Final Computation Date). For a fixed yield issue, an issuer may treat any date as a Computation Date provided such date is within five years of the issue date. For a variable yield issue, an issuer may treat the last day of any Bond Year that is not later than five years from the issue date as a Computation Date and may not change that treatment after the first rebate payment, if any, is due. After the first rebate payment, if any, is due, an issuer must consistently treat either the end of each Bond Year or the end of each fifth Bond Year as Computation Dates and may not change these Computation Dates after the first rebate payment, if any, is due.

(c) Final Computation Date. The date that an issue is discharged is the Final Computation Date. For an issue retired within three years of its issue date, however, the Final Computation Date need not occur before the end of eight months after the issue date or during the period in which the issuer reasonably expects that any of the spending exceptions to the Rebate Requirement will apply to the issue.

(d) Amount of Required Rebate. The arbitrage rebate is generally paid in installments. The first rebate installment payment must be made for a Computation Date that is not later than five years after the issue date of the Series 2002 Bonds. Subsequent installment payments must be made for a Computation Date that is not later than five years after the previous Computation Date for which an installment payment was made. For installment payment Computation Dates other than the Final Computation Date, an issuer must rebate an amount that when added to the future value, as of that Computation Date, of previous rebate payments made for the issue, equals at least 90 percent of the rebate amount as of that date. For the Final Computation Date, a final rebate payment must be paid in an amount that, when added to the future value of previous rebate payments made for the issue, equals 100 percent of the rebate amount as of that date.

(e) Time and Manner of Payment. Each rebate payment must be paid no later than 60 days after the Computation Date to which the payment relates. Any rebate payment paid within this 60-day period may be treated as paid on the Computation Date to which it relates. Each

payment made pursuant to this Appendix shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, and shall be accompanied by Form 8038-T.

(f) Penalty in Lieu of Loss of Tax Exemption. The failure to pay the correct rebate amount when required will cause the Series 2002 Bonds of the issue to be arbitrage Series 2002 Bonds, unless the Commissioner determines that the failure was not caused by willful neglect and the issuer promptly pays a penalty to the United States. If no bond of the issue is a private activity bond (other than a qualified 501(c)(3) bond), the penalty equals 50 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Otherwise, the penalty equals 100 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Interest accrues at the underpayment rate under Section 6621 of the Code, beginning on the date the correct rebate amount is due and ending on the date 10 days before it is paid. The penalty is automatically waived if the rebate amount that the issuer failed to pay plus interest is paid within 180 days after discovery of the failure, unless the Commissioner determines that the failure was due to willful neglect, or the issue is under examination by the Commissioner at any time during the period beginning on the date the failure first occurred and ending on the date 90 days after the receipt of the rebate amount. Generally, extensions of this 180-day period and waivers of the penalty in other cases will be granted by the Commissioner only in unusual circumstances.

(g) Recovery of Overpayment of Rebate. An issuer may recover an overpayment of a rebate amount for an issue of Tax-exempt Series 2002 Bonds by establishing to the satisfaction of the Commissioner that the overpayment occurred. An overpayment is the excess of the amount paid to the United States for an issue under Section 148 of the Code over the sum of the rebate amount for the issue as of the most recent Computation Date and all amounts that are otherwise required to be paid under Section 148 of the Code as of the date the recovery is requested. Notwithstanding the preceding sentence, an overpayment may be recovered only to the extent that a recovery on the date that it is first requested would not result in an additional rebate amount if that date were treated as a Computation Date. Furthermore, except for overpayments in certain limited circumstances, an overpayment of less than $5,000 may not be recovered before the Final Computation Date.

(h) Recordkeeping Requirement. An issuer must retain records of the determination of its Rebate Requirement until six years after the retirement of the last obligation of the issue.

(i) Exception for earnings on gross proceeds in certain "bona fide debt service funds". Earnings on Nonpurpose Investments of Gross Proceeds in a bona fide debt service fund are not taken into account in computing the arbitrage rebate liability for an issue if either (i) the gross earnings on such fund for the Bond Year is less than $100,000 or (ii) the issue is a long-term, fixed rate governmental bond issue (i.e., the issue has an average maturity of at least 5 years and each of the Series 2002 Bonds that are part of such issue are neither private activity Series 2002 Bonds nor have rates of interest that vary during the term of the issue). For purposes of clause (i), an issuer may treat an issue with average annual debt service not exceeding $2,500,000 as satisfying the $100,000 limitation and therefore not earning more than $100,000 in any Bond Year.

Appendix III

Spending Exceptions to Rebate

(a) Generally. All, or certain discrete portions, of an issue are treated as meeting the Rebate Requirement if one or more of the spending exceptions set forth in this Appendix are satisfied. Use of the spending exceptions is not mandatory, except that where an issuer elects to apply the 1-1/2 percent penalty (as described below) the issuer must apply that penalty to the Construction Issue. An issuer may apply the Rebate Requirement to an issue that otherwise satisfies a spending exception. Special definitions relating to the spending exceptions are contained in Section (h) of this Appendix.

Where several obligations that otherwise constitute a single issue are used to finance two or more separate governmental purposes, the issue constitutes a "multipurpose issue" and the bonds, as well as their respective proceeds, allocated to each separate purpose may be treated as separate issues for purposes of the spending exceptions. In allocating an issue among its several separate governmental purposes, "common costs" are generally not treated as separate governmental purposes and must be allocated ratably among the discrete separate purposes unless some other allocation method more accurately reflects the extent to which any particular separate discrete purpose enjoys the economic benefit (or bears the economic burden) of the certain common costs (e.g., a newly funded reserve for a parity issue that is partially new money and partially a refunding for savings on prior bonds).

Separate purposes include refunding a separate prior issue, financing a separate Purpose Investment (e.g., a separate loan), financing a Construction Issue, and any clearly discrete governmental purpose reasonably expected to be financed by the issue. In addition, as a general rule, all integrated or functionally related capital projects qualifying for the same initial temporary period (e.g., three years) are treated as having a single governmental purpose. Finally, separate purposes may be combined and treated as a single purpose if the proceeds are eligible for the same initial temporary period (e.g., advance refundings of several separate prior issues could be combined, or several non-integrated and functionally unrelated capital projects such as airport runway improvements and a water distribution system).

The spending exceptions described in this Appendix are applied separately to each separate issue component of a multipurpose issue unless otherwise specifically noted.

(b) Six-Month Exception. An issue is treated as meeting the Rebate Requirement under this exception if (i) the gross proceeds of the issue are allocated to expenditures for the governmental purposes of the issue within the six-month period beginning on the issue date (the **"six-month spending period"**) and (ii) the Rebate Requirement is met for amounts not required to be spent within the six-month spending period (excluding earnings on a bona fide debt service fund). For purposes of the six-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month spending period, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury

Regulation Section 1.148-6(d)(4)) financed by the issue. In the case of an issue no bond of which is a private activity bond (other than a qualified 501(c)(3) bond) or a tax or revenue anticipation bond, the six-month spending period is extended for an additional six months for the portion of the proceeds of the issue which are not expended within the six-month spending period if such portion does not exceed five percent of the Proceeds of the issue.

(c) 18-Month Exception. An issue is treated as meeting the Rebate Requirement under this exception if all of the following requirements are satisfied:

(i) the gross proceeds are allocated to expenditures for a governmental purpose of the issue in accordance with the following schedule (the **"18-month expenditure schedule"**) measured from the issue date: (A) at least 15 percent within six months, (B) at least 60 percent within 12 months and (C) 100 percent within 18 months;

(ii) the Rebate Requirement is met for all amounts not required to be spent in accordance with the 18-month expenditure schedule (other than earnings on a bona fide debt service fund); and

(iii) all of the gross proceeds of the issue qualify for the initial temporary period under Treasury Regulation Section 1.148-2(e)(2).

For purposes of the 18-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the 18-month expenditure schedule, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury Regulation Section 1.148-6(d)(4)) financed by the issue. In addition, for purposes of determining compliance with the first two spending periods, the investment proceeds included in gross proceeds are based on the issuer's reasonable expectations as of the issue date rather than the actual Investment Proceeds; for the third, final period, actual Investment Proceeds earned to date are used in place of the reasonably expected earnings. An issue does not fail to satisfy the spending requirement for the third spending period above as a result of a Reasonable Retainage if the Reasonable Retainage is allocated to expenditures within 30 months of the issue date. The 18-month exception does not apply to an issue any portion of which is treated as meeting the Rebate Requirement as a result of satisfying the two-year exception.

(d) Two-Year Exception. A Construction Issue is treated as meeting the Rebate Requirement for Available Construction Proceeds under this exception if those proceeds are allocated to expenditures for governmental purposes of the issue in accordance with the following schedule (the **"two-year expenditure schedule"**), measured from the issue date:

(i) at least 10 percent within six months;

(ii) at least 45 percent within one year;

(iii) at least 75 percent within 18 months; and

(iv) 100 percent within two years.

An issue does not fail to satisfy the spending requirement for the fourth spending period above as a result of unspent amounts for Reasonable Retainage if those amounts are allocated to expenditures within three years of the issue date.

(e) Expenditures for Governmental Purposes of the Issue. For purposes of the spending exceptions, expenditures for the governmental purposes of an issue include payments for interest, but not principal, on the issue, and for principal or interest on another issue of obligations. The preceding sentence does not apply for purposes of the 18-month and two-year exceptions if those payments cause the issue to be a refunding issue.

(f) De Minimis Rule. Any failure to satisfy the final spending requirement of the 18-month exception or the two-year exception is disregarded if the issuer exercises due diligence to complete the Facility financed and the amount of the failure does not exceed the lesser of three percent of the issue price of the issue or $250,000.

(g) Elections Applicable to the Two-Year Exception. An issuer may make one or more of the following elections with respect to the two-year spending exception:

(1) Earnings on Reasonably Required Reserve or Replacement Fund. An issuer may elect on or before the issue date to exclude from Available Construction Proceeds the earnings on any reasonably required reserve or replacement fund. If the election is made, the Rebate Requirement applies to the excluded amounts from the issue date.

(2) Actual Facts. For the provisions relating to the two-year exception that apply based on the issuer's reasonable expectations, an issuer may elect on or before the issue date to apply all of those provisions based on actual facts. This election does not apply for purposes of determining whether an issue is a Construction Issue if the 1-1/2 percent penalty in lieu of rebate election described in subsection (g)(4) of this Appendix is made.

(3) Separate Issue. For purposes of the two-year exception, if any proceeds of an issue are to be used for Construction Expenditures, the issuer may elect on or before the issue date to treat the portion of the issue that is not a refunding issue as two, and only two, separate issues, if (i) one of the separate issues is a Construction Issue, (ii) the issuer reasonably expects, as of the issue date, that such Construction Issue will finance all of the Construction Expenditures to be financed by the issue and (iii) the issuer makes an election to apportion the issue in which it identifies the amount of the issue price of the issue allocable to the Construction Issue.

(4) Penalty in Lieu of Rebate. An issuer of a Construction Issue may irrevocably elect on or before the issue date to pay a penalty (the **"1-1/2 percent penalty"**) to the United States in lieu of the obligation to pay the rebate amount on Available Construction Proceeds upon failure to satisfy the spending requirements of the two-year expenditure schedule. The 1-1/2 percent penalty is calculated separately for each spending period, including each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds equal the amount of Available Construction Proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental

purposes of the issue by that date. The 1-1/2 percent penalty must be paid to the United States no later than 90 days after the end of the spending period to which it relates. The l-1/2 percent penalty continues to apply at the end of each spending period and each semiannual period thereafter until the earliest of the following: (i) the termination of the penalty under Treasury Regulation Section 1.148-7(1), (ii) the expenditure of all of the Available Construction Proceeds or (iii) the last stated final maturity date of Series 2002 Bonds that are part of the issue and any Series 2002 Bonds that refund those Series 2002 Bonds. If an issue meets the exception for Reasonable Retainage except that all retainage is not spent within three years of the issue date, the issuer must pay the 1-l/2 percent penalty to the United States for any Reasonable Retainage that was not so spent as of the close of the three-year period and each later spending period.

(h) Special Definitions Relating to Spending Exceptions.

(1) Available Construction Proceeds shall mean, with respect to an issue, the amount equal to the sum of the issue price of the issue, earnings on such issue price, earnings on amounts in any reasonably required reserve or replacement fund not funded from the issue (subject to the election referred to in Section (g)(l) of this Appendix) and earnings on all of the foregoing earnings, less the amount of such issue price in any reasonably required reserve or replacement fund and less the issuance costs financed by the issue. For purposes of this definition, earnings include earnings on any Tax-exempt Bond. Unless the issuer otherwise elects as described in Section (g)(2) of this Appendix, for the first three spending periods of the two-year expenditure schedule described in Treasury Regulation Section 1.148-7(e), Available Construction Proceeds include the amount of future earnings that the issuer reasonably expected as of the issue date. For the fourth spending period described in Treasury Regulation Section 1.148-7(e) and any subsequent date, as of which computations are made, Available Construction Proceeds include the actual earnings received to that date and earnings expected as of that date to be earned in the future. Earnings on any reasonably required reserve or replacement fund are Available Construction Proceeds only if the issuer did not elect to exclude such earnings pursuant to the election described in paragraph (g)(l) of this Appendix and only to the extent that those earnings accrue before the earlier of (i) the date construction is substantially completed or (ii) the date that is two years after the issue date. For this purpose, construction may be treated as substantially completed when the issuer abandons construction or when at least 90 percent of the total costs of the construction that the issuer reasonably expects as of such date will be financed with proceeds of the issue have been allocated to expenditures. If only a portion of the construction is abandoned, the date of substantial completion is the date that the nonabandoned portion of the construction is substantially completed.

(2) Construction Expenditures shall mean capital expenditures (as defined in Treasury Regulation Section 1.150-1) that are allocable to the cost of Real Property or Constructed Personal Property. Construction Expenditures do not include expenditures for acquisitions of interests in land or other existing Real Property.

(3) Construction Issue shall mean any issue that is not a refunding issue if (i) the issuer reasonably expects, as of the issue date, that at least 75 percent of the Available Construction Proceeds of the issue will be allocated to Construction Expenditures for property owned by a governmental unit or a 501(c)(3) organization and (ii) any private activity Series 2002 Bonds that are part of the issue are qualified 501(c)(3) Series 2002 Bonds or private activity Series 2002

Bonds issued to finance property to be owned by a governmental unit or a 501(c)(3) organization.

(4) Constructed Personal Property shall mean Tangible Personal Property or Specially Developed Computer Software if (i) a substantial portion of the property is completed more than six months after the earlier of the date construction or rehabilitation commenced and the date the issuer entered into an acquisition contract; (ii) based on the reasonable expectations of the issuer, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the issuer itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the issuer.

(5) Real Property shall mean land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, Real Property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

(6) Reasonable Retainage shall mean an amount, not to exceed five percent of (i) Available Construction Proceeds as of the end of the two-year expenditure schedule (in the case of the two-year exception to the Rebate Requirement) or (ii) Net Sale Proceeds as of the end of the 18-month expenditure schedule (in the case of the 18-month exception to the Rebate Requirement), that is retained for reasonable business purposes relating to the property financed with the issue. For example, a Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the issuer reasonably determines that a dispute exists regarding completion or payment.

(7) Specially Developed Computer Software shall mean any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to Real Property or other Constructed Personal Property.

(8) Tangible Personal Property shall mean any tangible property other than Real Property, including interests in tangible personal property. For example, Tangible Personal Property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

(i) Special Rules Relating to Refundings.

(1) Transferred Proceeds. In the event that a prior issue that might otherwise qualify for one of the spending exceptions is refunded, then for purposes of applying the spending exceptions to the prior issue, proceeds of the prior issue that become transferred proceeds of the refunding issue continue to be treated as unspent proceeds of the prior issue; if such unspent proceeds satisfy the requirements of one of the spending exceptions then they are not subject to rebate either as proceeds of the prior issue or of the refunding issue. Generally, the only

spending exception applicable to refunding issues is the six-month exception. In applying the six-month exception to a refunding of a prior issue, only transferred proceeds of the refunding issue from a taxable prior issue and other amounts excluded from the definition of gross proceeds of the prior issue under the special definition of gross proceeds contained in Section (b) above are treated as gross proceeds of the refunding issue and so are subject to the six-month exception applicable to the refunding issue.

(2) Series of Refundings. In the event that an issuer undertakes a series of refundings for a principal purpose of exploiting the difference between taxable and tax-exempt interest rates, the six-month spending exception is measured for all issues in the series commencing on the date the first bond of the series is issued.

(ii) Elections Applicable to Pool Series 2002 Bonds. An issuer of a pooled financing issue can elect to apply the spending exceptions separately to each loan from the date such loan is made or, if earlier, on the date one year after the date the pool Series 2002 Bonds are issued. In the event this election is made, no spending exceptions are available and the normal Rebate Requirement applies to Gross Proceeds prior to the date on which the applicable spending periods begin. In the event this election is made, the issuer may also elect to make all elections applicable to the two-year spending exception, described in Section (g) above, separately for each loan; any such elections that must ordinarily be made prior to the issue date must then be made by the issuer before the earlier of the date the loan is made or one year after the issue date.

Appendix IV

Allocation and Accounting Rules

(a) General Rule. An issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as defined in Section (f) of this Appendix) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a Commingled Fund.

(b) Allocation of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to transferred proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. For purposes of the preceding sentence, the fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a "ratable allocation" method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding Series 2002 Bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding Series 2002 Bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(f) Commingled Funds. All payments and receipts (including deemed payments and receipts) on investments held by a Commingled Fund must be allocated (but not necessarily

distributed) among each different source of funds invested in the Commingled Fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the Commingled Fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the **"Fiscal Period"**); or (ii) the average of the beginning and ending balances of the amounts in the Commingled Fund from each different source of funds for a Fiscal Period that does not exceed one month.

Investments in a Commingled Fund that serves as a common reserve fund, replacement fund or sinking fund (referred to herein as a "commingled reserve") for two or more issues, after making reasonable adjustments to account for proceeds allocated in accordance with paragraphs (b) and (e) of this Appendix, must be allocated ratably among those issues served by the commingled reserve in accordance with one of the following methods: (i) the relative Values of the Series 2002 Bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues. Allocations under this paragraph must be made at least once every three years and as of each date that an issue first becomes secured by the commingled reserve. Allocations must also be made on the retirement of any issue secured by the commingled reserve if that commingled reserve is allocated based on the method described in clause (iii) above.

Funds invested in the Commingled Fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable, consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the Commingled Fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the Commingled Fund.

Generally a Commingled Fund must treat all its investments as if sold at fair market value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the Commingled Fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a Commingled Fund during a particular fiscal year does not exceed 18 months, and the investments held by the Commingled Fund during that fiscal year consist exclusively of obligations; or (ii) the Commingled Fund operates exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, the term **"working capital expenditures"** means all expenditures other than "capital expenditures." **"Capital expenditures"** are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general Federal income tax principles. Such costs include, for example, costs incurred to acquire,

construct, or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, **"available amount"** means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer or a related party if those amounts may be used by the issuer for working capital expenditures of the type being financed by the issue without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purposes of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures. In addition, certain "qualified endowment funds" are treated as unavailable.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any issuance costs of the issue or any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the issue date and ending on the date that is the later of three years from the issue date or one year after the date on which the financed Facility is placed in service; (iv) amounts to the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the Rebate Requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or investment proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest, or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the foregoing, the exceptions described in this paragraph do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

Appendix V

Value of Investments

(a) Fair Market Value. The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). An investment that is not of a type traded on an established securities market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(b) Certificates of Deposit Safe Harbor. A certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal shall be treated as purchased at its fair market value if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States; and (ii) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(c) Guaranteed Investment Contracts Safe Harbor. The purchase price of a guaranteed investment contract will be treated as the fair market value of the Investment on the purchase date if all of the following requirements are satisfied:

(1) the issuer makes a solicitation for the purchase of the guaranteed investment contract or investment that meets all of the following:

(i) the bid specifications are in writing, include all material terms (i.e., any term that may directly or indirectly affect the yield or cost of the Investment) and all terms of the bid specifications must be commercially reasonable (i.e., the term must have a legitimate business purpose other than to increase the purchase price or reduce the yield of the Investment). The bid specifications must be timely forwarded to potential providers;

(ii) the bid specifications contain a notification that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted as a courtesy to the issuer or any other person for the purpose of satisfying the three bid requirement or the requirement that at least one bid be from a reasonably competitive provider, as described below;

(iii) at least three "reasonably competitive providers" (i.e., providers that have an established industry reputation as a competitive provider of the type of Investments being purchased) are solicited for bids;

(iv) all potential providers have an equal opportunity to bid. For example, no potential provider has the opportunity to review other bids (i.e., a last look) before providing a bid; and

(v) the terms of the solicitation take into account the issuer's reasonably expected deposit or drawdown schedule for the amounts to be invested;

(2) the bids received by the issuer meet all of the following:

(i) at least three bids are received from providers with no material financial interest in the Bonds. Persons with a material financial interest include a lead underwriter in a negotiated underwriting of the Bonds until 15 days after the Delivery Date, any financial advisor respecting the purchase of the Investment at the time the bid specifications are sent to potential providers and any related party to a provider that has a material financial interest in the Bonds;

(ii) at least one of the three bids received is from a reasonably competitive provider; and

(iii) if the issuer uses an agent to conduct the bidding, the agent did not bid to provide the Investment;

(3) the winning bid is the highest yielding bona fide bid (determined net of any broker's fees);

(4) the provider of the Investments or the obligor on the guaranteed investment contract certifies the administrative costs it pays, or expects to pay, to third parties in connection with supplying the Investment;

(5) the issuer retains the following records until 3 years after the last outstanding Bond is discharged:

(i) a copy of the contract;

(ii) the receipt or other record of the amount actually paid by the issuer for the Investments, including a record of any administrative costs paid and the certification of the Investment provider of administrative costs;

(iii) for each bid submitted, the name of the person or entity submitting the bid, the time and date of the bid and the bid results; and

(iv) the bid solicitation form, and, if applicable, a brief statement identifying and explaining the purpose of any deviation between the terms of the purchase agreement or guaranteed investment contract and the bid solicitation.

The issuer shall maintain records adequate to determine the fair market value of the investments described above.

Index to Exhibits to Tax Certificate

Exhibit A - Certificate as to Qualification as Exempt Facility Series 2002 Bonds

Exhibit B - Issue Price Certificate

Exhibit C - Order of Assignment

Exhibit D - Form 8038

Execution Copy

EXHIBIT A

CERTIFICATE REGARDING QUALIFICATION AS EXEMPT FACILITY BONDS

In connection with the issuance by the New York City Industrial Development Agency (the "**Agency**") of its $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002A Bonds**") and its $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002B Bonds**," and together with the Series 2002A Bonds, the "**Series 2002 Bonds**") and in connection with the opinion on the exclusion of interest on the Series 2002 Bonds from gross income for Federal income tax purposes to be given by Winston & Strawn, the undersigned officer of American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the "**Lessee**"), hereby certifies on behalf of the Lessee that he is familiar with the facilities to be financed in part with the proceeds of the Series 2002 Bonds and further certifies as follows:

1. Defined Terms.

Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "**Tax Certificate**") dated the date hereof and executed by the Agency and the Lessee in connection with the issuance of the Series 2002 Bonds.

2. Ownership and Operation of Bond Financed Property.

The Project Premises are subject to the terms of an Agreement of Lease dated April 17, 1947, as amended and supplemented, between the City and the Port Authority of New York and New Jersey (the "**Port Authority**"). The Project Premises, together with all buildings, structures, improvements and fixtures on such premises, have been subleased to the Lessee pursuant to an Agreement of Lease (Lease No. AYB - 085) entered into as of August 1, 1976, between the Port Authority and the Lessee, as supplemented and amended and as further supplemented, amended and restated in an Amended and Restated Lease Agreement No. AYB-085R dated as of December 22, 2000 between the Port Authority and the Lessee, as amended by Supplement No. 1 thereto and as the same may hereafter be further amended and supplemented. The Lessee and the Agency will enter into a Company Sublease Agreement dated as of July 1, 2002, pursuant to which the Lessee will sub-sublease to the Agency the Leased Facilities. Pursuant to an IDA Lease Agreement dated as of July 1, 2002 the Agency will sub-sub-sublease the Leased Facilities to the Lessee and will lease the Facility Equipment to the Lessee.

The Lessee, and any non-governmental user, pursuant to a long-term lease, management contract, service contract or similar arrangement executed in the future, of each unit or class of units of property constituting Financed Property and set forth in the Leased Facilities Schedule and the Equipment Schedule (collectively referred to as the "**Property Schedule**") attached as Schedule I to the IDA Lease Agreement, or in any modified Property Schedule substituted pursuant to Sections 3.5 or 6.14 of the IDA Lease Agreement, (1) has or will execute an irrevocable election, substantially in the form attached as Exhibit A not to claim depreciation or any investment credit with respect to any of such units or class of units of property under federal income tax law, (2) pursuant to such lease, contract, or similar arrangement will not have the use of any unit or class of units constituting Financed Property and set forth in the Property Schedule or any modified Property Schedule for a term which exceeds 80 percent of the reasonably expected economic life of such unit or class of units, as determined under Section 147(b) of the Code and as set forth with respect to each such unit or class of units in the Property Schedule or any modified Property Schedule and (3) will have no option to purchase such unit or class of units other than at fair market value (determined as of the time the option is exercised). The reasonably expected economic life of any unit of property or class of units of property constituting a structure or building is set forth in Schedule 1 to Exhibit D. If the reasonably expected economic life of any unit of property or class of units of property constituting Financed Property (other than property that is a structure or a building) in the Property Schedule or any modified Property Schedule is longer than the "midpoint life" under the Asset Depreciation Range ("**ADR**") system set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, the Lessee or other non-governmental user will attach a letter, in the form attached as Schedule 2 to Exhibit D, to the Property Schedule or modified Property Schedule supporting the reasonably expected economic life of such unit of property or class of units of property.

The election which has been executed by the Lessee is attached hereto as Exhibit B.

3. Use of Proceeds.

(a) Ninety-five percent or more of the Net Sale Proceeds of the Series 2002 Bonds and the Investment Proceeds received prior to the Placed in Service Dates (as defined below) will be used to pay Project Costs which, if the Lessee were owner of the Facility, could be capitalized for Federal income tax purposes in the tax basis of such property and which meet the requirements of paragraph 3(c) hereof ("**Qualifying Costs**"). For purposes of this Certificate, "**Net Sale Proceeds**" means the issue price of the Series 2002 Bonds to the public, less amounts in any debt service reserve fund, and plus any "imputed proceeds" as defined in Treasury Regulation Section 1.103-8(a)(6). Exhibits C and D set forth a reasonable estimate of the entire amount of the Project Costs to be financed with the Net Sale Proceeds of the Series 2002 Bonds. Except for certain amounts shown in Exhibit C under Costs of Issuance and Miscellaneous Items, all of the amounts set forth in Exhibit C are Qualifying Costs.

(b) The Facility shall be available for use by the general public or for use by common carriers or chartered carriers which directly serve members of the general public.

(c) The Lessee understands that 95 percent or more of the Net Sale Proceeds of the Series 2002 Bonds and Investment Proceeds received prior to the Placed in Service Dates (as defined below) must be used to provide "airport" facilities or facilities directly related and essential to the operation of an "airport," as described in Section 142(a)(1) and Section 142(c) of the Code and Section 1.103-8(e) of the Treasury Regulations. Accordingly, at least 95 percent of the facilities financed with the Net Sale Proceeds of the Series 2002 Bonds and the Investment Proceeds thereon will be either:

(i) directly related and essential to:

(A) servicing aircraft or enabling aircraft to take off and land; or

(B) transferring passengers or cargo to or from aircraft;

and are of such a nature that they need to be located at or in close proximity to the take-off and landing areas of John F Kennedy International Airport (the "**Airport**") in order to perform their functions;

(ii) functionally related or subordinate to the facilities described in (i) above, of a character and size commensurate with the character and size of the Airport and located at or adjacent to the Airport; or

(iii) storage facilities which are directly related to facilities described in (i) above and which are located at or adjacent to the Airport.

(d) Unless a Favorable Opinion of Bond Counsel shall have been received, none of the facilities financed with the Net Sale Proceeds of the Series 2002 Bonds or the Investment Proceeds thereon shall be used as:

(i) a lodging facility;

(ii) a retail facility (including food and beverage facilities) in excess of a size necessary to serve passengers and employees of the Airport;

(iii) a retail facility (other than parking) for passengers or the general public located outside any terminal at the Airport;

(iv) an office building for individuals who are not employees of a governmental unit or of the operating authority for the Airport; or

(v) an industrial park or manufacturing facility.

4. Expenditure of Proceeds of the Series 2002 Bonds; Reimbursement.

(a) Net Sale Proceeds of the Series 2002 Bonds equal to $415,072,380, together with Investment Proceeds received prior to the Placed in Service Dates (as defined below), will be deposited into the Project Fund and are expected to be spent to pay or reimburse the payment of Project Costs prior to December 31, 2002. In addition, completion of the Facility and allocation of the Proceeds of the Series 2002 Bonds to expenditures for the Facility will proceed with due diligence.

(b) In no event shall more than two percent of the Sale Proceeds of the Series 2002 Bonds, $9,502,164.00, be expended to pay Costs of Issuance of the Series 2002 Bonds as defined in Section 1.150-1(b) of the Treasury Regulations.

(c) On December 9, 1999, the Agency passed its inducement resolution ("**Inducement Resolution**") with respect to the Facility. A copy of the Inducement Resolution is attached as Exhibit E. A portion of the Net Sale Proceeds of the Series 2002 Bonds will be used to reimburse the Lessee for certain costs included in Exhibit D paid prior to the Delivery Date ("**Reimbursement Expenditures**"). On the date the Inducement Resolution was adopted, the Lessee had a reasonable expectation that it would reimburse the Reimbursement Expenditures with proceeds of an obligation. The Lessee will make an allocation in writing that evidences its use of Proceeds of the Series 2002 Bonds to reimburse the Reimbursement Expenditures not later than 18 months after the later of the first date the Reimbursement Expenditures were paid or the date the Facility is placed in service or abandoned but in no event more than three years after the first date the Reimbursement Expenditures (other than the preliminary costs) were paid. All Reimbursement Expenditures constitute capital expenditures (within the meaning of Treasury Regulations Section 1.150-2(d)(3)) relating to the Facility. All Reimbursement Expenditures were paid on or after October 10, 1999 (which is the date 60 days before the date of the Inducement Resolution), except for certain "preliminary expenditures" which were paid prior to such date. The "preliminary expenditures" paid prior to such date do not exceed 20% of the Issue Price of the Series 2002 Bonds. "Preliminary expenditures" are expenditures for architectural, engineering, surveying, soil testing and similar costs incurred prior to the commencement of construction of the Facility, other than land acquisition, site preparation and similar costs incident to commencement of construction.

(d) The Concourse C portion of the Facility is reasonably expected to be placed in service on or about February 28, 2003; the portion of the Facility consisting of the Terminal C tunnel/connector and mid-section of the Main Terminal is expected to be placed in service by December 31, 2003; the portion of the Facility comprising the west portions of Concourses A and B and the Federal Inspection Service Facility is expected to be placed in service on or about July 31, 2004; and the portion of the Facility consisting of the east portions of Concourses A and B is expected to be placed in service on or about August 31, 2006 (collectively, the "**Placed in Service Dates**").

5. Public Approval. A public hearing with respect to the Bonds was held on November 12, 2001. The time and location of the public hearing provided a reasonable opportunity for persons of differing views to appear and be heard, and a reasonable opportunity to be heard was afforded to all persons present at the hearing. The notice of the public hearing was published in the New York Post, a newspaper of general circulation, on October 13, 2001, and contained: (a) a description of the use of the Proceeds of the Series 2002 Bonds, (b) the maximum aggregate face amount of the Series 2002 Bonds to be issued with respect to the Facility, and (c) the purpose of the proposed issuance of the Series 2002 Bonds. A copy of the proof of publication of the notice is attached hereto as Exhibit F. The Mayor of the City of New York approved the issuance of the Series 2002 Bonds on February 27, 2002.

6. Limitation on Maturity of Series 2002 Bonds. As the information provided on Form 8038 and Exhibit D indicates, the weighted average maturity of the Series 2002 Bonds (18.2077 years) does not exceed 120 percent of the average reasonably expected economic life of the portion of the Facility expected to be financed by the Series 2002 Bonds (48.52 years). For purposes of determining the average reasonably expected economic life of the portion of the Facility expected to be financed by the Series 2002 Bonds, (A) the average reasonably expected economic life shall be determined as of the later of (i) the date the Series 2002 Bonds are issued or (ii) the Placed in Service Dates (however, see footnote 3 to Exhibit D); and (B) land shall not be taken into account. The Lessee covenants that the average maturity of the Series 2002 Bonds (18.2077 years) will not exceed 120% of the average reasonably expected economic life of the units or class of units of property shown in the Property Schedule or any modified Property Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement. In connection with this covenant, the reasonably expected economic life of any unit or class of units of property constituting a structure or building set forth in Revenue Procedure 62-21 shall be as shown in Schedule 1 to Exhibit D and the reasonably expected economic life of any unit or class of units of other property shown in a Property Schedule or modified Property Schedule shall be the midpoint life for such property under the ADR system, or a longer life provided that there is attached to the Property Schedule or the modified Property Schedule a letter in the form set forth in Schedule 2 to Exhibit D to support such longer life.

7. Prohibited Use of Series 2002 Bond Proceeds. No portion of the Proceeds of the Series 2002 Bonds will be used to provide any of the following: the acquisition of land; any airplane, skybox, or other private luxury box; any health club facility; any facility primarily used for gambling; or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

8. No Series 2002 Bonds Held by Substantial User. Other than Series 2002B Bonds tendered but not remarketed pursuant to the Indenture, it is not anticipated that the Series 2002 Bonds will be held for any period by the Lessee or any other "substantial user" of the Facility, or any "related person" to such "substantial user" (as such terms are used in Section 147(a) of the Code).

9. Acquisition of Existing Property. No portion of the Net Sale Proceeds of the Series 2002 Bonds will be used to acquire existing property (property the first use of which is not by the Lessee) unless not later than two years after the later of (i) the date the property is acquired, or (ii) the Delivery Date of the Series 2002 Bonds, the Lessee shall have incurred rehabilitation expenditures meeting the requirements of Section 147(d)(2) of the Code.

10. Compliance with Non-Completion or Excess Proceeds Rules. The face amount of the Series 2002 Bonds is based on reasonable estimates of the Project Costs at the time of issuance of the Series 2002 Bonds. Expenditures of the proceeds of the Series 2002 Bonds shall comply with Section 1.5 of the Lease Agreement. If upon completion of the Facility less than 95 percent of the Net Sale Proceeds and the Investment Proceeds received prior to the Placed in Service Dates have been expended for Qualifying Costs, any proceeds of the Series 2002 Bonds which remain unexpended upon completion of the Facility shall be used to redeem Series 2002 Bonds then outstanding or to provide additional property described in Section 142(a)(1) of the Code. If all of the Series 2002 Bonds are only callable at a future date, all of the unexpended proceeds of the Series 2002 Bonds must be placed in escrow until the first date on which the Series 2002 Bonds may be called. Each of the Series 2002 Bonds will be subject to call to the extent necessary to maintain the exclusion of interest from gross income by a date not later than (i) 10.5 years from the date hereof or (ii) 90 days from the date of the event that would jeopardize such

exclusion. The amount placed in escrow may not be invested in investment property at a yield in excess of the yield on the Series 2002 Bonds.

11. Responsible Person. The undersigned officer of the Lessee is responsible for the acquisition and construction of the Facility.

12. Reliance. The Lessee understands and acknowledges that the certifications, representations, and covenants of the Lessee set forth herein will be relied upon by the Agency in issuing the Series 2002 Bonds and in executing the Tax Certificate and by Bond Counsel in rendering its opinion that interest on the Series 2002 Bonds will be excluded from gross income for federal income tax purposes.

The undersigned has been informed of, or has discussed with counsel, the purpose and scope of Section 103, and Sections 141-150 of the Code and the regulations thereunder as they relate to "qualified exempt facility bonds," as defined therein. The undersigned intends that the foregoing statements can be relied on by Bond Counsel in determining the qualification of the Series 2002 Bonds as qualified exempt facility bonds.

To the best of the knowledge, information, and belief of the undersigned as of the date hereof, there are no other facts, estimates or circumstances that would materially change any of the foregoing certifications. The representations contained in this Certificate are made for the benefit of any purchaser of the Series 2002 Bonds and Bond Counsel and may be relied upon by any purchaser of the Series 2002 Bonds and Bond Counsel in determining whether or not the interest on the Series 2002 Bonds is includible in gross income for Federal income tax purposes under statutes, regulations, rulings and pronouncements of the Internal Revenue Service and court decisions existing on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate this 31st day of July, 2002 .

AMERICAN AIRLINES, INC.

By: Leslie M. Benners

Name: Leslie M. Benners
Title: Managing Director, Corporate Finance and Banking

EXHIBIT A

FORM OF ELECTION BY LESSEE, SERVICE CONTRACTOR, MANAGEMENT CONTRACTOR OR OTHER CONTRACTING PARTY (THE "CONTRACTING PARTY") FOR PROPERTY DESCRIBED IN I.R.C. §142(b)(1)(B) NOT TO CLAIM DEPRECIATION OR AN INVESTMENT CREDIT WITH RESPECT TO SUCH PROPERTY

1. Description of Property:

Any unit or class of units of property constituting Financed Property and set forth in the Leased Facilities Schedule and Facility Equipment Schedule attached as Schedule I to the IDA Lease Agreement, dated as of July 1, 2002, and executed in connection with the bonds referenced below and any modified Leased Facilities Schedule and/or Facility Equipment Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement for the original of such schedules.

2. Name, Address, and Taxpayer Identification Number of the Contracting Party:

3. Name, Address, and Taxpayer Identification Number of the Issuing Authority:

New York City Industrial Development Agency
110 William Street
New York, New York 10038

TIN

4. Date and Face Amount of the Issue the proceeds of which are to be used to provide the Property:

$120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project)

Issue Date: July 31, 2002.

I, the undersigned, a duly authorized official of the Contracting Party, hereby elect on behalf of the Contracting Party, pursuant to Section 142(b)(1)(B)(i) of the Internal Revenue Code of 1986, as amended, not to claim depreciation or an investment credit with respect to the Property described above under federal tax law. This Election is being made concurrently on or before the execution of the lease, service contract, management contract or other contract (the

"contract") permitting a possessory use with respect to the Property or prior to the time of occupancy of the Property.

The Contracting Party understands that this Election is irrevocable, and that this Election is binding on the Contracting Party and all successors in interest under the Contract regardless of whether the obligations issued to provide the Property remain outstanding. Furthermore, the Contract and any publicly recorded document recorded in lieu of such Contract, states that neither the Contracting Party nor any successor in interest under the Contract may claim depreciation or an investment credit with respect to the Property under federal tax law.

The New York City Industrial Development Agency (the "Agency") is being provided with a copy of this Election and the Contracting Party will retain copies of this Election in our records for the entire term of the Contract. We understand that the Agency will retain a copy of this Election for the same term.

[CONTRACTING PARTY]

By:_____

Title:_____

Date:_____

EXHIBIT B

Executed Form of Election

ELECTION BY AMERICAN AIRLINES, INC. (THE "CONTRACTING PARTY") FOR PROPERTY DESCRIBED IN I.R.C. §142(b)(1)(B) NOT TO CLAIM DEPRECIATION OR AN INVESTMENT CREDIT WITH RESPECT TO SUCH PROPERTY

1. Description of Property:

Any unit or class of units of property constituting Financed Property and described in the Leased Facilities Schedule and Facility Equipment Schedule attached as Schedule I to the IDA Lease Agreement, dated as of July 1, 2002, and executed in connection with the bonds referenced below and any modified Lease Facilities Schedule and/or Facility Equipment Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement for the original of such schedules.

2. Name, Address, and Taxpayer Identification Number of the Contracting Party:

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155
TIN:

3. Name, Address, and Taxpayer Identification Number of the Issuing Authority:

New York City Industrial Development Agency
110 William Street
New York, New York 10038

TIN

4. Date and Face Amount of the Issue the proceeds of which are to be used to provide the Property:

$120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project)

Issue Date: July 31, 2002.

I, the undersigned, a duly authorized official of the Contracting Party, hereby elect on behalf of the Contracting Party, pursuant to Section 142(b)(1)(B)(i) of the Internal Revenue Code of 1986, as amended, not to claim depreciation or an investment credit (under the Code) with respect to the Property described above. This Election is being made concurrently with the execution of the IDA Lease Agreement (the "Contract") permitting a possessory use with respect to the Property or prior to the time of occupancy of the Property.

The Contracting Party understands that this Election is irrevocable, and that this Election is binding on the Contracting Party and all successors in interest under the Contract regardless of whether the obligations issued to provide the Property remain outstanding. Furthermore, the Contract and any publicly recorded document recorded in lieu of such Contract, states that neither the Contracting Party nor any successor in interest under the Contract may claim depreciation or an investment credit with respect to the Property under federal tax law.

The New York City Industrial Development Agency (the "Agency") is being provided with a copy of this Election and the Contracting Party will retain copies of this Election in our records for the entire term of the Contract. We understand that the Agency will retain a copy of this Election for the same term.

AMERICAN AIRLINES, INC.

By: Leslie M Benners

Name: Leslie M. Benners

Title: Managing Director, Corporate Finance and Banking

Date: July 31, 2002

EXHIBIT C

Estimated Project Costs Financed by Sale Proceeds of Series 2002 Bonds

A.	PURCHASE OF EQUIPMENT, CONSTRUCTION AND LAND IMPROVEMENTS	
	1. (See Exhibit D for Breakdown)	$414,824,972
	2. Contingencies	$247,408
	TOTAL ACQUISITION AND CONSTRUCTION	$415,072,380
B.	COSTS OF ISSUANCE	
	1. Underwriter Fee or Discount	$2,625,000
	2. Other Costs of Issuance	$3,875,000
	TOTAL COSTS OF ISSUANCE	$6,500,000
C.	MISCELLANEOUS ITEMS	
	1. Item: IDA Fee and State Bond Fee	$6,025,000
	2. Item: Series 202 Debt Service Reserve Accounts	$47,510,820
	3. Item: Original Issue Discount	$24,891,800
	TOTAL MISCELLANEOUS ITEMS	$78,427,620
	TOTAL ACQUISITION COSTS OF PROJECT	$500,000,000.00

EXHIBIT D

The portion of the Facility financed by the Series 2002 Bonds is expected to consist of the following Assets:

	A[1]	B[2]	C[3]	D[4]	E[5]	F[6]
Description						
Buildings	45	54		54	263,108,731	14,207,871,474
Equipment	12	14.4		14.4	11,775,547	169,567,876
Land Improvements	20	24		24	59,056,921	1,417,366,104
Architect. & Engineer. Fees	45	54		54	65,446,458	3,534,108,732
Soil Testing	20	24		24	1,214,051	29,137,224

1 Economic Life (expressed in years). The Economic Life of an Asset is the longer of the reasonably expected economic life of the Asset or the "midpoint life" under the Asset Depreciation Range (*"ADR"*) system, as set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, where applicable, and the "guideline lives" under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case of structures. For structures and buildings included above with a reasonably expected economic life in excess of the guideline lives set forth in Revenue Procedure 62-21, see Schedule 1 attached hereto. Schedule 2 hereto is the form of supporting letter for other Assets included in the Property Schedule or a modified Property Schedule with a reasonably expected economic live longer than the midpoint life under the ADR system.

2 120 percent of (A).

3 If the Asset has not yet been placed in service, the number of years after the date hereof (expressed as a positive number) the Asset is expected to be placed in service. None of the Assets have been placed in service; however this adjustment has been disregarded in the above computation. The Lessee reserves the right to make this adjustment at a later date.

4 The Adjusted Economic Life of the Asset (B) plus (C)).

5 The Cost of the Asset (expressed in dollars).

6 The product of the Adjusted Economic Life of the Asset (D) and the Cost of the Asset (E).

Consulting	45	54	54	14,223,264	768,056,256
Contingencies	45	54	54	247,408	13,360,032
Total				$415,072,380	20,139,467,698

120% of the Average Reasonably Expected Economic Life of the portion of the Facility financed by the Series 2002 Bonds:[7] 48.52 Years

[7] The sum of (F) divided by the sum of (E).

DMJM Aviation

Building Airports Better

July 30, 2002

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: Useful Life of New Terminal Buildings
At John F. Kennedy International Airport

Ladies and Gentlemen:

Based on our experience with airport terminals, the useful life of the new terminal buildings, if properly operated and maintained, will be at least 45 years.

Very truly yours,
DMJM Aviation

David D. Brown
Project Director

P.O. Box 300747 - JFK Airport Station ❖ Jamaica, NY 11430 Tel: 718-995-2045 ❖ Fax: 718-632-3478

SCHEDULE 2

_____, 200_

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: Useful Life of _____ for new Terminal
at John F. Kennedy International Airport

Ladies & Gentlemen:

Based on our experience with airport terminals, the useful life of _____, if properly operated and maintained, will be at least _____ years.

Very truly yours,

[Name of Consultant or Name of Facilities Management Department of American Airlines]

By:_____
Name:
Title:

EXHIBIT E

Inducement Resolution

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

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

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

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

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

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

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

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

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

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

The Agency further determines that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 13. This Resolution is to take effect immediately.

ADOPTED: December 9, 1999.

Accepted _____, 1999.

AMERICAN AIRLINES, INC.

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____

(SEAL)

_____

ATTEST:

EXHIBIT F

TEFRA Notice - Proof of Publication

ida New York City Industrial Development Agency

MEMORANDUM

TO: The Honorable Daniel L. Doctoroff
Deputy Mayor for Economic Development and Rebuilding

FROM: Michael G. Carey

RE: **American Airlines, Inc.** – Approval to issue up to $700 million of triple tax-exempt bonds constituting the first tranche on a multiphase $1.3 billion financing at John F. Kennedy Airport

DATE: January 14, 2002

General Background:

American Airlines, Inc. ("American"), a subsidiary of AMR Corporation ("AMR"), was founded in 1934 and is one of the largest scheduled passenger airlines in the world. At the end of the year 2000, the company provided scheduled jet service with over 4,100 daily flights to more than 240 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American also operates five hubs: Dallas/Forth Worth (DFW), Chicago O'Hare, Miami, St. Louis Lambert, and San Juan, Puerto Rico. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system. The company's revenues in fiscal year 2000 were $20 billion, 35% of which was derived from its foreign operations. Also in fiscal year 2000, 82 million passengers boarded American flights. The company also acquired Trans World Airlines ("TWA") in April 2001 and the former TWA company is expected to account for approximately 20% of American's passenger load in years going forward.

Project Description:

American plans to renovate its existing aircraft hangars and demolish passenger terminals 8 and 9 at John F. Kennedy International Airport ("JFK"), and to equip and construct a new terminal with associated arrival and departure ramps and parking facilities on the land currently occupied by terminals 8 and 9 (the new facilities to be referred to as,"T8-T9"). American anticipates that the new terminal will contain 57 gates distributed over 2,000,000 square feet. The new structure will streamline and consolidate operations to reduce delays, increase passenger comfort, generate additional terminal revenues and diversify flight capacity. Construction will be in four stages enabling American and affiliate American Eagle to continue flying their full schedules throughout the project construction period. The company's ultimate goal is to upgrade services at the JFK facility to a level consistent with that offered at a hub. American will lease the land from the Port Authority of New York and New Jersey ("Port Authority") through the year 2015. American and The City of New York (the "City") have also come to substantial agreement on an Agreement to Enter into Lease ("ATEIL") in which the City agrees to enter into a direct lease with American upon the expiration of American's lease with the Port Authority, thereby enabling American to market and sell bonds maturing after the expiration of American's lease with the Port Authority and the Port Authority's lease with the City. A duly noticed public hearing was held by the Mayor's Office of

Contracts on December 5, 2001 pursuant to New York City Charter Section 1301 (2) (1) thereby authorizing the City's lease of airport property. No testimony was presented at the hearing and the hearing was closed. The Port Authority's Board of Commissioners met on December 13, 2001, at which time the Port Authority's staff presented for approval a supplement to the Port Authority-American lease which, among other things, recognizes the ATEIL, a City-American lease as contemplated in the ATEIL and a City-American recognition, non-disturbance and attornment agreement. The Port Authority Board at that meeting unanimously approved the item. The minutes of the meeting were transmitted to the governors of New York and New Jersey on December 17, 2001 and the statutory ten (10) business day period during which they can approve or disapprove the minutes of the Board meeting has lapsed without action. Therefore, as of January 2, 2002, the minutes are deemed approved.

Construction on the overall T8-T9 project is estimated to cost $995,208,640; machinery and equipment is expected to cost $171,014,360; and fees and soft costs are projected at $88,757,000. American has included a contingency of $45,000,000 as part of project costs to bring estimated costs to a total of $1,299,980,000. The company plans to issue between $500,000,000 and $700,000,000 in triple tax-exempt bonds in the first tranche to recoup funds already spent as well as to partially pre-fund 2002 costs. It is also anticipated that the balance of the triple tax-exempt bonds will be authorized and issued during 2002. Following the events of September 11th, the development of this project has become more critical to the financial health of the company, and management has targeted 2006 for the completion of the project, a year earlier than originally anticipated.

This project will allow American to expand at JFK to create hub type services. In preparation for this, within the past two years the company purchased Business Express, an airline that provides service throughout the Northeast. These routes will be serviced by American Eagle and will connect with American at JFK. American also purchased TWA earlier this year. In order to expand market access and to remain competitive, American in the last few years has entered into a number of marketing agreements and partnerships and generates revenues by leasing gate space to at least 5 international airlines. American plans to expand this program at the new terminal. In 1985 American sold off its food service company, LSG Skychefs ("LSG"). LSG has expanded in recent years and has taken over the management of retail operations at the existing passenger terminals. Last year, following a reorganization of retail space at the terminals, LSG doubled revenues from these operations. The new terminal will increase the square footage available for retail use by 100 percent.

Job retention and job creation estimates are below:

	Original Job #*	**Revise To Job #*** **	**Total**
Retained:	4,700	395	5,095
TWA takeover:		509	509
Job Growth:	1,200**	0	1,200
Total:	5,900 Jobs	904 Jobs	6,804 Jobs

[1]* Estimates presented at time of original IDA application in 1999.
**American estimates that a majority of the jobs being created will come on board immediately following the project construction period. Management also estimates that an additional 1,000 construction jobs will be created.
***In December 2001, American revised its job statistics based on TWA acquisition and recent job growth.

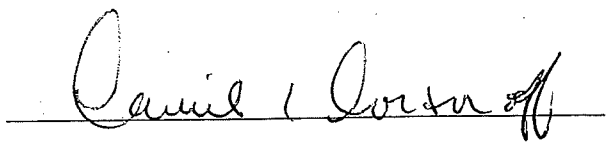
Clearance and Due Diligence:

All due diligence for American was completed by EDC staff at the time of inducement. American's relationship with its bank was deemed satisfactory. The VENDEX check and subsequent inquiries revealed no derogatory information. The IDA Board of Directors approved the project by an Inducement Resolution at its meeting on December 9, 1999. The IDA Board of Directors approved an Authorizing Resolution at its meeting on October 23, 2001 authorizing the issuance of approximately $250,000,000 in triple tax-exempt bonds. Following a revision of the construction timetable by American, an Amending Authorizing Resolution was subsequently approved at the IDA Board of Directors meeting on November 13, 2001 approving an increase in the authorized first bond amount to approximately $700,000,000 in triple tax-exempt bonds. The final bond amount for the first issue is still under review, but is anticipated to be less than the maximum approved amount in the Amending Authorizing Resolution. American's rating was recently revised by the major bond rating agencies as a result of the September 11th events, a November American flight crash (both in New York City) and the generally troubled financial state of the airline industry. The present corporate bond ratings from Standard and Poor's and Moody's, respectively, are BB and B1. Based on the airline's present bond ratings, the IDA is requiring that the bonds be sold in higher dollar denominations to institutional investors. Despite these events, American still believes that the triple tax-exempt bonds will be issued at a cost-effective interest rate and expects that its ability to service the proposed debt will remain intact.

BOND APPROVAL

I, Michael R. Bloomberg, the Mayor of The City of New York, in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and in reliance upon certain recommendations and other information submitted to me by the Chairman of the New York City Industrial Development Agency, do hereby approve the following proposed project and bond issue for the New York City Industrial Development Agency (the "Agency"):

Approximately $700,000,000 (triple tax-exempt) special facility revenue bonds (American Airlines, Inc. John F. Kennedy International Airport Project) for the benefit of American Airlines, Inc. in connection with the construction, equipping, improvement and renovation of an air passenger terminal consisting of (a) (i) the phased demolition of Terminals 8 and 9 and existing arrival and departure ramps, and (ii) the construction and equipping of an approximately 2,000,000 square foot new terminal, new arrival and departure ramps, and associated parking facilities, all on an approximately 108 acre parcel of land and (b) the renovation of existing aircraft hangers on an approximately 70 acre parcel in the vicinity of Terminals 8 and 9, all located at John F. Kennedy International Airport, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from New York City and New York State sales and use taxes.



MAYOR

Dated: New York, New York

2/14/02, 2002

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses

already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York

City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doormart U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond

financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately

6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, **March 13, 2000**. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

THE NEW YORK POST

Published on February 24, 2000 for March 13, 2000 IDA Public Hearing

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, approximately shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 6 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 106 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with: (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 56,000 square foot building located upon an approximately 85,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple-tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,000 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereof of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street; all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 26,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 85th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08-80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation, for affiliate tenant, in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doorwell U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Bell Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for Village, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Levcadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36-acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 18, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 15) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-51 10th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG-Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 282,297 square foot facility on an approximately 36,000 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and cosmetics, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1352 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,800 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,600 square foot building and an approximately 21,500 square foot parcel of land, both located at 31 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1318 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,525 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

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Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

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State of New York
COUNTY OF NEW YORK

SS:

BYRON STEVENS being duly sworn, says that he/she is the principal Clerk of the Publisher of the

New York Post

a daily newspaper of general circulation printed and published in the English language, in the County of New York, State of New York; that advertisement hereto annexed has been regularly published in the said "NEW YORK POST" once,

299613

on the 12 day of February, 2000

Sworn to before me this 23 day of FEB 2000

Notary Public

DEBORAH P. ROSEN
Notary Public, State of New York
No. 01RO5023290
Qualified in Kings County
Commission Expires Jan. 31, 2002

INDUSTRIAL DEVELOPMENT AGENCY

■ PUBLIC HEARINGS

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

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Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board-games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacture and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 squar foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to l conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Cor d/b/a. Doormart U.S.A., a new company to l formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to l conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 360, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 360, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens; New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

☞ m3

I, Zsa Johnstone-Mosher, Paralegal, at New York City Economic Development Corporation, hereby depose and say that the notice attached hereto was taken from and published in the City Record dated March 3, 2000 , volume CXXVII, # 43

Zsa Johnstone-Mosher

State of New York)
) ss.
County of New York)

Sworn to before me this
9th day of March, 2000.

Notary Public

CAROL M. HYDE
Notary Public, State of New York
No. 4977270
Qualified in Queens County
Commission Expires Jan. 28, 2001

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PUBLIC HEARING
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
110 WILLIAM STREET, NEW YORK, NEW YORK
MARCH 13, 2000, 10:00 A.M.

MR. MARSHALL:

"This hearing will come to order. This is a hearing on each of the proposed projects to be described in a few minutes, called by the Mayor of the City of New York and the New York City Industrial Development Agency (the "Agency") pursuant to Section 147(f) of the Internal Revenue Code and Section 859(a) of the General Municipal Law of the State of New York and pursuant to a public notice published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000.

My name is Richard Marshall, and I am Vice President for Legal Affairs at the New York City Industrial Development Agency. I have been designated to preside at these hearings.

At this time I will ask for an appearance on behalf of the Agency."

MS. JOHNSTONE-MOSHER:

"I am Zsa Johnstone-Mosher, Paralegal at the New York City Economic Development Corporation which, under contract, provides administrative and legal services to the Agency. In such connection I assist the General Counsel of the Agency."

MR. MARSHALL:

"The New York City Industrial Development Agency is empowered under the New York State Industrial Development Agency Act to issue tax-exempt, non-recourse revenue bonds to provide financing and financial assistance for industrial, manufacturing, warehousing, commercial, research and civic projects, and to enter into industrial and small industry incentive (straight-lease) transactions, also to provide financial assistance for the same projects, and thereby advance job opportunities, general prosperity and economic welfare of the people of the City of New York and to improve their prosperity and standard of living.

The Agency has been requested (i) to provide financial assistance to and to make the proceeds of its bonds available for the financing of a number of such projects, and/or (ii) to provide financial assistance through industrial and small industry incentive (straight-lease) transactions, also to a number of such projects, and our purpose at today's public hearing is to set forth information with respect to each of the projects and proposed financial assistance related thereto and to answer any questions the audience may have concerning them. In addition, at this time the Agency is providing the public with an opportunity to review the project application and the cost-benefit analysis for each of the proposed projects covered by this hearing today. Copies

of the foregoing materials will be annexed to the transcript which the Agency will prepare to record this hearing."

MS. JOHNSTONE-MOSHER:

"The published public notices of this hearing invited written comments from interested persons to be submitted to the Agency at its offices at 110 William Street, New York, New York 10038. To date, the Agency has received no written comments. The public notices also requested that any persons desiring to make a brief statement regarding any of the projects provide prior written notice thereof to the Agency. To date, the Agency has received no such notices."

MR. MARSHALL:

"A brief description of each project will be given, and anybody wishing to be heard in connection with that project should give his name and address to me and I will call upon you in the order in which your names are received. All questions or statements are to be limited to three minutes."

MS. JOHNSTONE-MOSHER:

"At this time I would like to offer copies of the Notice of Public Hearing published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000, together with respective affidavits of publication.

The first project involves an approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes."

MR. MARSHALL:

"Has anyone registered with you to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"No one has registered to be heard in connection with this project."

MR. MARSHALL:

"Is there anyone present who has not registered who wishes to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"There is no one present who wishes to be heard in connection with this project."

MR. MARSHALL:

"There being no further statements or submissions, I hereby declare the hearing on the American Airlines, Inc. project to be closed."

Amending Authorizing Resolution

November 13, 2001

Applicant: American Airlines, Inc. ("American")

Project Location: Terminals 8 & 9, JFK International Airport ("JFK")
Jamaica, Queens, New York

Resolution Sought: Amending Authorizing Resolution for approximately $700,000,000 Triple Tax-exempt Special Exempt Facility Bonds

Project Managers: Carolyn Edwards *and* Anne Doyle

Project Counsel: Judy Fensterman

Outside Counsel: Hawkins Delafield & Wood

Business: Domestic and international air passenger carrier

Employment (Jobs):

	Original Job #	Job (Loss)/Increase	Revised Total
Retained:	4,700	395	5,095
TWA	1,635	(1,126)	509
Projected Growth:	1,200*		1,200
Total:	7,535	731	6,804**

*American estimates that a majority of the jobs being created will come on stream immediately following the estimated five-year construction period. Management also estimates that an additional 1,000 construction jobs will be created.
** The overall job loss after the TWA merger totaled 731.

Project Description: American Airlines is seeking IDA bond financing to demolish and reconstruct a new terminal and associated approach ramps and parking facilities. The company also plans to equip the facilities and to renovate existing American Airlines hangars at this location. The new terminal will increase by 1,104,170 square feet, to a total of 2,000,000 square feet, the space available for American's passenger terminal operations. When the project is completed, the improved terminal will house expanded check-in capacity (from 162 to 220 check-in stations); increased retail space (from 29,600 square feet to 75,000 square feet); increased and improved security systems (that will continue to be backed by ongoing staff training and equipment upgrades); expanded lounges and increased number of immigration check-ins (from 18 to 48). The new parking lot will increase parking spaces available to the public from 850 to 2,400. Total bonds issued for the project described will be approximately $1,300,000,000 and will be issued in tranches over the period of construction.

Prior Board Action:

Inducement Resolution for $1,300,000,000 approved December 8, 1999; Authorizing Resolution for $250,000,000 approved October 23.

Summary of Developments:

American has re-estimated its current construction reimbursement and new money needs and expects to increase its first tranche of triple-tax exempt bonds to as much as $700,000,000 as it accommodates a more aggressive construction schedule.

The company has received commitment letters from Salomon Smith Barney Inc., Merrill Lynch & Company and JP Morgan & Company to act as senior underwriters for this tranche of the bond issuance. There will also be a group of co-underwiters associated with the sale of the bonds.

The bonds will be rated at the level of American Airlines, are expected to be multi-modal with both fixed and variable rate debt, and the interest rates are not expected to exceed 15 percent. The principal will be amortized over a period not to exceed 40 years. The present ratings for American Airlines are Ba2 (Moody's) and BB (Standard & Poor's).

Proceeds will be used to reimburse the company for expenses relating to construction carried out during the least year and a half and upcoming construction costs. So far, one of the proposed concourses is almost complete and the majority of associated roadwork has been initiated. Management estimates that the completed terminal will be up and running by 2006.

Staff recommends that the IDA Board of Directors approve this resolution.

Exhibit B

Issue Price Certificate

New York City Industrial
Development Agency
110 William Street
New York, New York 10038

Winston & Strawn
200 Park Avenue
New York, New York 10166

Ladies and Gentlemen:

This letter is furnished by Salomon Smith Barney Inc., as the senior managing underwriter for the $120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (collectively, the "Series 2002 Bonds"), to provide the New York City Industrial Development Agency (the "Agency") and Winston & Strawn, as bond counsel in respect of the Series 2002 Bonds, with certain information in connection with the issuance of the Series 2002 Bonds. Unless otherwise defined herein, capitalized terms used in this letter have the meanings given to them in the Tax Certificate to which this certificate is attached as Exhibit B.

WE HEREBY CERTIFY as follows:

1. We reasonably expected on the date the Bond Purchase Agreement was signed (July 25, 2002), based on prevailing market conditions at that time, that all the Series 2002 Bonds would be sold at an amount not in excess of the initial offering prices, or in case of bonds sold on a yield basis, at yields not less than the yields, to the public (excluding bond houses, brokers and other intermediaries or similar persons or organizations acting in the capacity of underwriters or wholesalers) as set forth on the inside of the cover page of the Official Statement of the Agency with respect to such Series 2002 Bonds (the "Official Statement").

2. Based on our records and other information available to us which we have no reason to believe is not correct, all the Series 2002 Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers, and other intermediaries or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than the initial prices shown on the inside of cover page of the Official Statement, or, in the case of Series 2002 Bonds sold on a yield basis, at yields no lower than the respective yields shown on the inside of the cover of the Official Statement (the "Initial Public Offering Prices"), plus accrued interest.

3. Based on our records and other information available to us which we have no reason to believe is not correct, at least 10 percent of each maturity of the Series 2002

Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices equal to the Initial Public Offering Prices.

4. The Series 2002 Debt Service Reserve Accounts and the amount of the Debt Service Reserve Account Requirements for the Series 2002 Bonds are of the type and size of accounts customarily required in financings of the size and nature of the Series 2002 Bonds and the failure to provide for these accounts at their required amounts would materially and adversely affect the interest rates or yields at which the Series 2002 Bonds could be sold. In addition, if the Lessee had not agreed to execute and deliver the Leasehold Mortgage upon the satisfaction of certain conditions and to establish and fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement, the interest rates or yields at which the Series 2002 Bonds could be sold would have been materially and adversely affected.

5. We have computed a yield of 8.983171% on the Series 2002 Bonds. Such yield has been computed by the actuarial method, using a 360 day year and semi-annual compounding and is that percentage rate which, when used in computing the present value of all payments of principal and interest on the Series 2002 Bonds, produces an amount equal to the Initial Public Offering Prices of the Series 2002 Bonds, plus accrued interest. However, we are not accountants or actuaries, nor are we engaged in the practice of law. Accordingly, while we believe the calculation to be correct, we do not warrant it to be so, nor do we warrant its accuracy for purposes of Section 103 of the Internal Revenue Code of 1986, as amended.

No representation is made as to the legal sufficiency of this certificate for any purpose. We assume no obligation to advise you of any changes that come to our attention subsequent to the date hereof that would cause us to alter in any respect the information set forth herein. We understand that the foregoing information will be relied upon by the Agency for the purposes of making certain of the representations contained in the tax certificates, and will be relied upon by bond counsel, Winston & Strawn, in rendering its opinion that interest on the Series 2002 Bonds is excludable from gross income of the owners thereof for federal income tax purposes.

Dated: July 31, 2002

Salomon Smith Barney Inc.

By: _____
Name: Robert J. DeMichiel
Title: Managing Director

Exhibit C

Order of Assignment

[Not Applicable]

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

Information Return for Tax-Exempt Private Activity Bond Issues

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

OMB No. 1545-0720

Part I Reporting Authority — Check if Amended Return ▶ ☐

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

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

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

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

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

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

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

Part V Description of Property Financed by Nonrefunding Proceeds

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

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

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

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

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

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

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

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

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

Part VII Miscellaneous

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

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

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

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

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

Part VIII Volume Caps

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

Sign Here

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

Signature of officer — July 31, 2002 (Date)

Carolyn A. Edwards — Deputy Executive Director

Name of above officer (type or print) — Title of officer (type or print)

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

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

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

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

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

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

(As amended L.1986, c. 905, § 4.)

Historical and Statutory Notes

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

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

Rules of the City of New York

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

ARTICLE 18-A—INDUSTRIAL DEVELOPMENT

Title

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

TITLE 1—AGENCIES, ORGANIZATION AND POWERS

Section

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

Cross References

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

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

Job development authority—

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

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

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

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

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

§ 850. Short title

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

(Added L.1969, c. 1030, § 1.)

Section

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

§ 850. Short title

Historical and Statutory Notes

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

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

"PRIVATE ACTIVITY BOND ALLOCATION ACT OF 1993

"Section

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"PRIVATE ACTIVITY BOND ALLOCATION ACT OF 1992

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"a. Local agencies or other issuers

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

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

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

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

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

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

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

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

"c. that, except for those allocations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"5. The requirements of subdivisions 3

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

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

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

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

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

§ 852. Policy and purposes of article

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

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

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

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

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

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

Historical Note

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

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

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

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

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

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

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

Library References

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

§ 854. Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historical and Statutory Notes

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

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

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

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

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

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

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

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

Effective Date of Amendment by L.1994, c. 66; Expiration Unaffected; Implementation; Application. L.1994, c. 66, § 15, provided: "This act [adding §§ 859-b, 862-a and Public Health Law § 4604-a, amending this section and § 858, Insurance Law § 4235 and Public Health Law §§ 4601, 4602, 4606, 4608, 4610 and 4623, and enacting provisions set out as notes under this section, § 859-b and Public Health Law § 4602] shall take effect immediately [Apr. 18, 1994], provided, however, that the amendment made to subdivision 4 of section 854 of the general municipal law by section eight of this act shall not affect the reversion of such subdivision as provided by section 5 of chap- to implement the provisio. . of this act h advance of such regulations; and provide further that sections one, three, seven eight, nine, ten, eleven, twelve and thir teen [adding §§ 859-b, 862-a and Publi Health Law § 4604-a and amending thi section, § 858, Insurance Law § 4235 an Public Health Law §§ 4601 and 4623] o this act, and paragraph m of subdivision of section 4602 of the public health law, a added by section two of this act, shal apply only to applicants for a certificate o authority pursuant to article 46 of the public health law that have been approved to receive and have received such certificate of authority on or before July 1, 2000."

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

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

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

Legislative Histories

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

Notes of Decisions

1. Civic facilities

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

Historical Note

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

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

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

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

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

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

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

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

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

1974 Amendment. Subd. (4). L.1974, c. 954, § 2, eff. June 13, 1974, inserted "and other facilities", "or desirable", "or incidental thereto" and "or a winter recreation facility".

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

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

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

1972 Amendment. Subd. 8. L.19 c. 190, § 1, eff. May 2, 1972, inserted Indian reservation".

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

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

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

Library References

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

§ 856. Organization of industrial development agencies

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

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

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

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

~~See main volume for 3 and 4~~

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

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

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

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

Historical and Statutory Notes

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

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

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

Duration of Village of Groton Industrial Development Agency. The village of Groton industrial development agency shall continue in existence until July 20, 2003, pursuant to L.1993, c. 364, § 1; set out as a note under § 928-l.

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

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

Library References

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

Compatibility of offices 1
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1. Compatibility of offices

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

2. Increase of membership

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

3. Time to appoint members

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

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4. Term of office

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

5. Travel expenses

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

§ 858. Purposes and powers of the agency

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

(1) To sue and be sued;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historical and Statutory Notes

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

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

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

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

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

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

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

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5. Gifts, grants or loans

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

12. Housing construction

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

13. Notice of claim

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

14. Lease agreements

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

Historical Note

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

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

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

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

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

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

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

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

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

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

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

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

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

Library References

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

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

2. Real property, acquisition of

An industrial development agency

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

3. Appointment of attorney

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

4. Contracts

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

5. Gifts, grants or loans

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

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

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

6. Lending powers

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

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

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

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

7. Options

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

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

8. Depositories

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

9. Building permits

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

10. Expenses

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

11. Health related facilities

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

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

§ 858-a. Compensation, procurement and investment

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

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

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

(Added L.1993, c. 356, § 8.)

Historical and Statutory Notes

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

§ 858-b. Equal employment opportunities

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

2. Except as is otherwise provided by collective bargaining contracts or agreements, new employment opportunities created as a result of projects of the agency shall be listed with the New York state department of labor community services division, and with the administrative entity of the service delivery area created by the federal job training partnership act (P.L. No. 97-300) in which the project is located. Except as is otherwise provided by collective bargaining contracts or agreements, sponsors of projects shall agree, where practicable, to first consider persons eligible to participate in the federal job training partnership (P.L. No. 97-300) programs who shall be referred by administrative entities of service delivery areas created pursuant to such act or by the community services division of the department of labor for such such[1] new employment opportunities.

(Added L.1993, c. 356, § 9.)

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

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 864.

§ 859. Financial records

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historical and Statutory Notes

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

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

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

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

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

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

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

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

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

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

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

Library References

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

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

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

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

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

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

(Added L.1993, c. 356, § 13.)

Historical and Statutory Notes

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

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

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

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

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

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

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

(Added L.1994, c. 66, § 11.)

Historical and Statutory Notes

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

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

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

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

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

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

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

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

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

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

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

(Added L.1993, c. 356, § 13.)

Historical and Statutory Notes

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

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

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

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

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

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

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

(Added L.1994, c. 66, § 11.)

Historical and Statutory Notes

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

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

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

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

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

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

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

"(b) any additional financing or equity provided;

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

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

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

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

"(a) private sector jobs created or preserved;

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

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

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

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

"(iv) any other information deemed relevant."

§ 860. Moneys of the agency

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

Notes of Decisions

1. Audit

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

§ 861. Notification of budget

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

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

(Added L.1993, c. 356, § 14.)

Historical and Statutory Notes

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

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

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

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

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

Financial Assistance of 1/3 of Project Cost

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

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

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

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

Historical and Statutory Notes

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

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

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

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

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

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

Notes of Decisions

1. Purpose

Municipal development agency's financial assistance in relocating industry within the municipality did not violate statute prohibiting spending of funds to relocate industry from one area of state to another, that statute was only intended to prevent municipalities from pirating each other's industries. Northeast Parent & Child Soc., Inc. v. City of Schenectady Indus. Development Agency, 1985, 114 A.D.2d 741, 494 N.Y.S.2d 592.

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

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

(Added L.1994, c. 66, § 12.)

Historical and Statutory Notes

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

§ 864. Bonds of the agency

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

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

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

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

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

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

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

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

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

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

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

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

(Added L.1969, c. 1030, § 1.)

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

Historical Note

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

Library References

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

§ 866. Notes of the agency

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

§ 868. Agreements of the municipality and state

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

proceeding by or on behalf of the bondholders or noteholders are fully met and discharged.

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

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

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

Notes of Decisions

1. Liability of county

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

§ 872. Bonds and notes as legal investment

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Cross References

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

Library References

Trusts ⇐217.8(7).
C.J.S. Trusts § 326.

Notes of Decisions

1. Municipalities

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

§ 874. Tax exemptions

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

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

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

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

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

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

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

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

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

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

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

Historical and Statutory Notes.

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

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

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

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

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

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

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

Historical Note

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

Cross References

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

New York Codes, Rules and Regulations

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

Library References

Taxation ⇐217.
C.J.S. Taxation § 260.

Notes of Decisions

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1. Property or activities within section

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

2. Lessee, liability of

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

3. Mortgage recording tax

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

4. Payments in lieu of taxes

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

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

5. Sale—lease back conveyances

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

6. Sales or use taxes

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

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

7. Special assessments and levies

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

8. Statutory fees

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

9. Taxable status date

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

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

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

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

4. Payments in lieu of taxes

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

6. Sales or use taxes

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

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

§ 876. Tax contract by the state

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

§ 878. Remedies of bondholders and noteholders

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

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

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

(b) bring suit upon such bonds or notes;

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

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

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

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

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

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

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

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

Notes of Decisions

1. Foreclosure

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

§ 880. Actions against the agency

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

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

Notes of Decisions

1. Wrongful death actions

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

§ 882. Termination of the agency

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

§ 883. Conflicts of interest

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

(Added L.1993, c. 356, § 18.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993; but not to apply to any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified pursuant to L.1993, c. 356, § 18, set out as a note under General Municipal Law § 854.

§ 884. Public bidding

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Cross References

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

Library References

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

Notes of Decisions

1. Option agreements

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

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

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

(Added L.1969, c. 1030, § 1.)

Historical Note

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

Library References

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

§ 888. Inconsistent provisions in other acts superseded

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

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

Historical Note

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

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

Library References

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

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

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

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

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

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

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

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

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

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

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

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

State of New York
DEPARTMENT OF STATE

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

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

Secretary of State

CERTIFICATE OF ESTABLISHMENT

OF

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

For Filing with Secretary of State

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

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

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

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

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

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED NOV 27 1974

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

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

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

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

THE MAYOR OF THE CITY OF NEW YORK

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

NOV 27 1974

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

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

RUDOLPH W. GIULIANI
MAYOR

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED:

o:greenbau.app

FIX(2)

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

March 22, 1995

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

Dear Mr. Nunn:

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

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

Sincerely,

Rudolph W. Giuliani

Rudolph W. Giuliani
Mayor

cc: C. Lifflander
Chair - IDA

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

January 16, 1992

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

Dear Ms. Weitzman:

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

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

Sincerely,

David N. Dinkins
MAYOR

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

June 11, 1992

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

Dear Mr. Rendinaro:

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

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

Sincerely,

David N. Dinkins
MAYOR

cc: The Honorable Guy Molinari

16

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

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

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MAR 8 -
ALCOHOL

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

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

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MISC.
MAR 2 - 1987

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

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

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MAR 2 - 1977

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

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

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MAR - 1978

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

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

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

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

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

Rudolph W. Giuliani

RUDOLPH W. Giuliani
MAYOR

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

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

RECEIVED
1996
OFFICE OF THE PRESIDENT

FRAN REITER
DEPUTY MAYOR
ECONOMIC DEVELOPMENT AND PLANNING

November 4, 1996

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

Dear Mr. Millard:

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

Sincerely,

Fran Reiter
Deputy Mayor for Economic
Development and Planning

CITY PLANNING COMMISSION
CITY OF NEW YORK

OFFICE OF THE CHAIRMAN

December 9, 1996

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

Dear Mr. Millard:

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

Sincerely,

Joseph B. Rose

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

ida New York City Industrial Development Agency

MEMORANDUM

To: H. Sidney Holmes, Esq.

From: Judith A. Capolongo

Subject: IDA Board of Directors Member Designations

Date: December 16, 1996

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

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

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

Enclosures

cc: Richard E. Marshall, Esq.

f:\mcmoida.al2

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

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

RECEIVED
FEB 05 1997
OFFICE OF THE PRESIDENT

ALAN G. HEVESI
COMPTROLLER

January 29, 1997

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

Dear Mr. Millard:

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

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

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

ALAN G. HEVESI

RICHARD F. HALVERSON
Specimen Signature

JONATHAN D. WHITE
Specimen Signature

dcleg.080

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New York City
Economic Development
Corporation

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

FACSIMILE COVER SHEET

DATE: July 30, 1997

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

TO:

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

COMMENTS:

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

Thank you.

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

NUMBER OF PAGES INCLUDING COVER: 1

** TOTAL PAGE.01 **

The City of New York

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

PAUL A. CROTTY
Corporation Counsel

September 10, 1997

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

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

Dear Mr. Millard:

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

Very truly yours,

Paul A. Crotty
Corporation Counsel

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

January 14, 1998

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

Dear Mr. Ithier:

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

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

Sincerely,

Rudolph W. Giuliani
Mayor

cc: ✓ C. Millard
Chair - I.D.A.

F. Ferrer
Bronx Borough President

** TOTAL PAGE.002 **

New York City
Economic Development
Corporation

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

FACSIMILE COVER SHEET

DATE: February 11, 1998

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

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

COMMENTS:

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

Thank you.

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

NUMBER OF PAGES INCLUDING COVER: 2

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

THE BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION
BOEDC

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

February 9, 1998

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

Dear Mr. Glatter:

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

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

Sincerely,

Jose L. Ithier
President

** TOTAL PAGE.002

IDA BOARD OF DIRECTORS

MEMBERS AND ALTERNATES (15) *

As of January 27, 1998

Mayoral Appointments (6):

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

Borough President Appointments (5):

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

Ex Officio Members (4):

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

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

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

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

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

o:\idaboard\members

GENERAL CERTIFICATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

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

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

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

By: _____
Assistant Secretary

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

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

REVISED 7/09/96

BY-LAWS OF NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

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

ARTICLE I
The Agency

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

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

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

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

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

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

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

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

ARTICLE II
Officers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III
Meetings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV
By-Laws

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

ARTICLE V
Policies and Procedures

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

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

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

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

ARTICLE VI
Miscellaneous Provisions

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

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

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

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

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

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

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

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

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

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

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

The Agency further determines that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 13. This Resolution is to take effect immediately.

ADOPTED: December 9, 1999.

Accepted _____, 1999.

AMERICAN AIRLINES, INC.

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____

(SEAL)

_____

ATTEST:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bonds shall be dated as provided in the Master Indenture and the Supplemental Indenture, shall be issued in fully registered form, shall be issued in one or more series, shall be payable as to principal, interest and redemption premium, if any, or purchase price at the principal office of the Trustee, shall bear interest from their date at the rate per annum calculated as set forth in the Bonds and the applicable Supplemental Indenture, but at no time greater than the maximum rate of interest permitted under applicable law, such interest to be payable on the unpaid principal amount thereof in consecutive payments until the payment in full of the principal amount thereof and shall mature not later than December 31, 2041 (except as the provisions set forth in the Supplemental Indenture with respect to redemption prior to maturity may become applicable thereto), all as set forth in the Bonds.

The provisions for signatures, authentication, series designation, payment, delivery, redemption, tender, purchase, maturity and number of the Bonds shall be as set forth in the Master Indenture and the Supplemental Indenture hereinafter authorized.

Section 2. The Bonds shall be secured by the Guaranty, the Mortgage (to the extent required for the sale of the Bonds to the purchasers thereof), and the pledge effected by the Indenture, and shall be payable solely from and secured by a pledge of the lease rentals, revenues and receipts derived from or in connection with the Facility to the extent set forth in the Guaranty, the Indenture and the Mortgage as hereinafter authorized. The Bonds, together with the interest thereon, are special limited obligations of the Agency, payable solely from the Trust Estate as provided in the Indenture, the Guaranty and if required for the sale of the Bonds to the purchasers thereof, the Mortgage and shall never constitute a debt of the State of New York nor

of The City of New York and neither the State of New York nor the City of New York shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Section 3. For the purpose of setting forth the terms and provisions applicable to the Bonds, providing security for the payment of the Bonds, and the Series designation of the Bonds, the Master Indenture and one or more Supplemental Indentures relating to each Series of Bonds, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, or Deputy Executive Director, the General Counsel or the Vice President of Legal Affairs of the Agency, shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, are hereby authorized and directed to execute, acknowledge and deliver the Master Indenture and Supplemental Indentures in the name of the Agency. The execution and delivery of the Master Indenture and any Supplemental Indentures shall be conclusive evidence of due authorization and approval of the Master Indenture and any Supplemental Indentures in its final form.

Section 4. For purposes of providing the terms and conditions applicable to the sub-subleasing of the Facility by the Agency to the Lessee, the Lease Agreement, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Lease Agreement in the name of the Agency. The execution and delivery of the Lease Agreement shall be conclusive evidence of due authorization and approval of the Lease Agreement in its final form.

Section 5. For purposes of providing the terms and conditions applicable to the subleasing of the Facility by the Company to the Agency, the Company Sublease Agreement, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Company Sublease Agreement in the name of the Agency. The execution and delivery of the Company Sublease Agreement shall be conclusive evidence of due authorization and approval of the Company Sublease Agreement in its final form.

Section 6. For the purpose of setting forth the terms and provisions applicable to providing security for the payment of the Bonds and solely to the extent the same is required for sale of the Bonds to the purchasers thereof, the Mortgage, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is,

hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Mortgage in the name of the Agency. The execution and delivery of the Mortgage shall be conclusive evidence of due authorization and approval of the Mortgage in its final form. In conjunction with the execution and delivery of the Mortgage herein authorized, the Agency will grant the Lessee financial assistance in the form of an exemption from mortgage recording taxes.

Section 7. That for the purpose of providing for the offering and sale of the Bonds and further setting forth information relating to the Bonds, a Preliminary Official Statement, in the form thereof as presented to this meeting and made a part hereof as fully as if set forth herein, with such changes, omissions, insertions and revisions as the Chairperson, Vice Chairperson, Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency, in the name of the Agency, is hereby authorized and directed to deem the Preliminary Official Statement final when appropriate and is further authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in substantially the form of the Preliminary Official Statement with such changes, omissions, insertions and revisions as the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable; and the distribution of the Preliminary Official Statement and the final Official Statement by the Underwriter in connection with the offering of the Bonds is hereby authorized.

Section 8. For purposes of providing for the sale of the Bonds to the Underwriter, the Bond Purchase Agreement, by and between the Agency and the Underwriter, substantially in the form thereof as presented to the meeting and made a part hereof as fully as if set forth herein as the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable, is hereby authorized to be entered into, and the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs, in the name of the Agency, is hereby authorized and directed to execute the Bond Purchase Agreement and any amendments or supplements thereto.

Section 9. The power (i) to establish the final aggregate principal amount of the Bonds and the final aggregate principal amount of Bonds to be included in each Series, the principal amount of Bonds maturing in each year, the final maturity date for the Bonds (not later than December 31, 2041), the Series designations of the Bonds, the initial interest rate to be borne by the Bonds (not exceeding the Maximum Rate (as such term is defined in the Indenture)), the redemption provisions of the Bonds and the date and place for the sale of and closing for the Bonds, (ii) to negotiate the terms of the sale of the Bonds to the Underwriter thereof, and (iii) to execute and deliver any and all documents required in connection therewith are hereby delegated to the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs or any one of such officers acting individually.

Section 10. The Bonds are hereby authorized to be issued and sold at such purchase price as shall be approved by the Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency pursuant to the Bond Purchase Agreement.

Section 11. All covenants, stipulations, obligations and agreements of the Agency contained in this Resolution and contained in the Agency Documents shall be deemed to be the covenants, stipulations, obligations and agreements of the Agency to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Agency and its successors from time to time and upon any board or body to which any power or duties affecting such covenants, stipulation, obligation and agreement shall be transferred by or in accordance with law. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Agency or the members thereof by the provisions of this Resolution or any of the Agency Documents shall be exercised or performed by the Agency or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in any of the Agency Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Agency in his individual capacity and neither the members of the Agency nor any officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12. The Agency is hereby authorized to cause the Lessee to proceed with the Project. For the purpose of effecting the Project, the officers of the Agency are hereby authorized and directed to apply, or cause application of, a portion of the proceeds to the Bonds to pay all or a portion of the costs of acquisition, construction, reconstruction, equipping and improvement of the Facility and other Phase I Project Costs, including, without limitation, issuance costs relating to the Bonds, all as more particularly authorized by the terms and provisions of the Indenture and the Lease Agreement. The Lessee is authorized to proceed with the Project on behalf of the Agency as set forth in the Lease Agreement; provided, however, that it is acknowledged and agreed by the Lessee that the Lessee is hereby constituted the agent for the Agency solely for the purpose of effecting the Project and the Agency shall have no personal liability for any such action taken by the Lessee for such purpose.

Section 13. The Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency are hereby designated the authorized representatives of the Agency and each of them is hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, deeds, certificates, affidavits, agreements, and other documents and to and cause to be done any and all acts and things necessary or proper for consummation of the transactions provided for or contemplated by this Resolution, the Company Sublease Agreement, the Lease Agreement, the Mortgage, the Master Indenture, the Supplemental Indentures, Bond Purchase Agreement and the issuance of the Bonds.

Section 14. This resolution shall take effect immediately.

ADOPTED: October 23 , 2001

AMENDING AUTHORIZING RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY INCREASING THE AGGREGATE PRINCIPAL AMOUNT OF BONDS AUTHORIZED FOR THE AMERICAN AIRLINES, INC. PROJECT

WHEREAS, on October 23, 2001, the New York City Industrial Development Agency (the "Agency") authorized a resolution (the "Original Authorizing Resolution") having the following caption:

> **"RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY SPECIAL FACILITY REVENUE BONDS, (AMERICAN AIRLINES, INC. PROJECT), IN THE AGGREGATE PRINCIPAL AMOUNT OF APPROXIMATELY TWO HUNDRED AND FIFTY MILLION DOLLARS ($250,000,000); APPROVING THE FORM OF, AND AUTHORIZING THE EXECUTION AND DELIVERY OF, AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURES OF TRUST, A LEASE AGREEMENT, A COMPANY SUBLEASE AGREEMENT, A LEASEHOLD MORTGAGE AND SECURITY AGREEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH."**

WHEREAS, American Airlines, Inc. (the "Company"), has entered into negotiations with officials of the Agency with respect to the renovation and reconstruction of existing aircraft hangers at John F. Kennedy International Airport and the phased demolition of Terminals 8 and 9 at John F. Kennedy International Airport and the acquisition, reconstruction and equipping on said terminal sites by the Agency with the proceeds of a bond issue of an air passenger terminal facility consisting of the acquisition, construction and equipping of an approximately 2,000,000 square foot air passenger terminal together with related arrival and departure access ramps and parking facilities (the "Leased Facilities") and the acquisition and installation of machinery and equipment (the "Facility Equipment" together with the Leased Facilities the "Facility") in connection therewith, all for use in providing domestic and international air travel, all as more specifically described in the project financing proposal (the "Project") and the lease of the Facility to the Applicant, such Facility to be located at John F. Kennedy International Airport, in Queens, New York; and

WHEREAS, in order to finance a portion of the costs of the Project consisting of Phase I Project Costs, the Agency authorized the issuance of its Special Facility Revenue Bonds, (American Airlines, Inc. Project), in one or more series in an aggregate principal amount of

approximately Two Hundred Fifty Million Dollars ($250,000,000), all pursuant to the Original Authorizing Resolution;

WHEREAS, the Company has now determined that the Phase I Project Costs shall equal an amount not to exceed seven hundred million dollars ($700,000,000), and the Agency now intends to issue its Special Facility Revenue Bonds, (American Airlines, Inc. Project) in one or more series in an aggregate principal amount of approximately seven hundred million dollars ($700,000,000) (the "Bonds").

NOW, THEREFORE, BE IT RESOLVED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. Section 1 of the Original Authorizing Resolution is amended to read as follows:

"To accomplish the purposes of the Act and to provide for the financing of Phase I Project Costs, the issuance of the Bonds in one or more series of the Agency is hereby authorized in the aggregate principal amount of Seven Hundred Million Dollars ($700,000,000), or such greater amount (not to exceed 10% of such stated amount) as approved by the Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, and having a final maturity date of not later than December 31, 2041 subject to the provisions of this Resolution, the Master Indenture and the Supplemental Indenture hereinafter authorized.

The Bonds shall be dated as provided in the Master Indenture and the Supplemental Indenture, shall be issued in fully registered form, shall be issued in one or more series, shall be payable as to principal, interest and redemption premium, if any, or purchase price at the principal office of the Trustee, shall bear interest from their date at the rate per annum calculated as set forth in the Bonds and the applicable Supplemental Indenture, but at no time greater than the maximum rate of interest permitted under applicable law, such interest to be payable on the unpaid principal amount thereof in consecutive payments until the payment in full of the principal amount thereof and shall mature not later than December 31, 2041 (except as the provisions set forth in the Supplemental Indenture with respect to redemption prior to maturity may become applicable thereto), all as set forth in the Bonds.

The provisions for signatures, authentication, series designation, payment, delivery, redemption, tender, purchase, maturity and number of the Bonds shall be as set forth in the Master Indenture and the Supplemental Indenture hereinafter authorized."

Section 2. Except as provided in the foregoing Section 1, the provisions of the Original Authorizing Resolution shall remain in full force and effect.

Section 3. This resolution shall take effect immediately.

ADOPTED: November 13 , 2001

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS SERIES 2002A BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS SERIES 2002A BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS SERIES 2002A BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS SERIES 2002A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY SERIES 2002A BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

No. R-1 $120,000,000

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
SPECIAL FACILITY REVENUE BOND, SERIES 2002A
(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: $120,000,000
LONG-TERM INTEREST RATE: 8%
CUSIP NUMBER: 64971SBG3
MATURITY DATE: August 1, 2012

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a First Series Supplemental Indenture (the "First Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as supplemented by the First Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture". All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002A Bond and the issue of which it is a part shall bear interest at a Long-Term Interest Rate of 8.00% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002A Bonds and ending July 31, 2012. The principal of this Series 2002A Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002A Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002A Bond shall be payable on each Interest Payment Date by the Paying Agent, by check mailed on the date on which such interest is due to the holders of the Series 2002A Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of any holder of Series 2002A Bonds in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002A Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond. Payment of the principal and Redemption Price, if any, of and interest on this Series 2002A Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002A Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002A Bond to the contrary, so long as this Series 2002A Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal and Redemption Price, if any, of and interest on this Series 2002A Bond.

THIS SERIES 2002A BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS SERIES 2002A BOND BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

This Series 2002A Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002A Bonds") issued in the aggregate principal amount of $120,000,000. The Series 2002A Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002A Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of lease dated as of August 1, 1976 as amended and restated in an Agreement of Lease dated December 22, 2000, as amended (collectively the "PA Lease"). The Lessee and the Agency have entered into a Company Sublease Agreement, dated as of July 1, 2002 (the "Company Sublease"), pursuant to which the Lessee will sub-sublease to the Agency certain real property and improvements to be made or acquired on the Project Premises (the "Leased Facilities") pursuant to the PA Lease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease to the Lessee certain Leased Facilities, and lease to the Lessee the certain systems, machinery, equipment and other tangible personal property (the "Facility Equipment") to be acquired by the Agency on behalf of the Lessee and installed as part of the Project, such improvements, machinery, equipment and tangible personalty to be financed in whole or in part with the proceeds of the Series 2002A Bonds, the Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency and Additional Bonds issued under the Indenture. The Leased Facilities and the Facility Equipment financed in part by the Series 2002A Bonds are referred to collectively herein as the "Facility". The IDA Lease Agreement requires the payment of rentals sufficient to provide for the payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds, together with certain other fees and expenses, as the same become due. Pursuant to the Indenture

the Agency has the right to issue one or more Series of Additional Bonds to finance Project Costs.

Special Obligation. This Series 2002A Bond and the issue of which it is a part are special obligations of the Agency payable as to principal and interest solely from, and secured by a pledge of certain of, the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement, the moneys and securities held in certain funds and accounts established under the Indenture (subject to disbursements therefrom in accordance with the provisions of the Indenture), a Guaranty from the Lessee to the Trustee and a Guaranty from AMR Corporation ("AMR") to the Trustee (collectively the "Guaranty"), and an Equipment Security Agreement from the Agency and the Lessee to the Trustee (the "Equipment Security Agreement"). Payments of amounts due under the Guaranty will be secured by a Leasehold Mortgage and Security Agreement from the Lessee to the Trustee and consented to by the Agency (the "Leasehold Mortgage"). Notwithstanding any other provision herein to the contrary, the Leasehold Mortgage shall not attach, and neither the Leasehold Mortgagee nor the Bondholders shall have any rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and any rights under the Leasehold Mortgage shall not be exercisable until the Reletting Rights Effective Date. In addition to the foregoing, the Series 2002A Bonds will be secured by a pledge and assignment of the Agency's non-possessory right, title and interest in and to the IDA Lease Agreement (exclusive of the Agency's Reserved Rights), as provided in the Indenture. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement, or otherwise default under the IDA Lease Agreement, and the Guarantor shall fail to satisfy its obligations under the Guaranty and, as a result thereof, the principal of the Series 2002A Bonds is declared or becomes due and payable, except as provided in the Equipment Security Agreement and the Leasehold Mortgage, none of the Agency, the Trustee or any holders of Series 2002A Bonds shall have any rights or remedies with respect to the Facility and such rights and remedies shall be limited as set forth in Section 8.12 of the Indenture and in the Leasehold Mortgage. Except as provided in the Equipment Security Agreement, the Series 2002A Bonds are not secured by any lien on or security interest or other interest in the property comprising the Facility or any part thereof or by any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

Each Series of Bonds including the Series 2002A Bonds issued pursuant to the Indenture shall, except as provided in any Series Supplemental Indenture relating thereto, be secured on a parity basis with all other Series of Bonds, if any, issued pursuant to the Indenture without preference, priority or distinction of any Bond over any other Bonds except as provided in the Indenture.

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease

Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Accrual of Interest on the Series 2002A Bonds. The Series 2002A Bonds shall bear interest at the Long-Term Interest Rate of 8% per annum for a Long-Term Interest Rate Period ending July 31, 2012. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the First Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002A Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002A Bonds shall be in default, Series 2002A Bonds issued in exchange for Series 2002A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002A Bonds, or if no interest has been paid on the Series 2002A Bonds, from the date of the first authentication of Series 2002A Bonds under the Indenture.

Interest Payment Date. Interest on this Series 2002A Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002A Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Denominations. The Series 2002A Bonds shall be issued in the form of fully registered Bonds in the denominations of (i) $100,000 and any integral multiple of $5,000 in excess thereof when the Series 2002A Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P and (ii) $5,000 and any integral multiple thereof when the Series 2002A Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P (the *"Authorized Denominations"*).

Redemption of Series 2002A Bonds

The Series 2002A Bonds may be redeemed only as described below.

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002 Bonds. The Series 2002A Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof together with accrued interest to the date of redemption and without premium, if the Lessee shall have delivered to the Agency and the Trustee an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002A Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002A Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 2002A Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Optional Redemption Without Premium. The Series 2002A Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of

such use or control of the Facility as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at The Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002A Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption on a pro rata basis in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002A Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bond so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Redemption Upon the Occurrence of a Determination of Taxability. The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002A Bonds, together with accrued interest to the date of

redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or the Lessee of a Determination of Taxability. All of the Series 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the affected Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002A Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002A Bonds to be redeemed shall be selected in accordance with the Indenture.

Notice of Redemption. Notice of optional or mandatory redemption of the Series 2002A Bonds or any principal portion thereof, shall be given as provided in the Indenture and the First Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002A Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002A Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002A Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied

with a written instrument of transfer in the form appearing on this Series 2002A Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002A Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002A Bond, exist, have happened and have been performed, and that the issuance of this Series 2002A Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002A Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002A Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002A Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002B Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs, all as of the Bond Date indicated above.

NEW YORK CITY NDUSTRIAL DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002A Bonds described in the within mentioned First Series Supplemental Indenture.

The Bank of New York, as Trustee

By: Beverly Gardner
Authorized Signatory

Date of Authentication: July 31, 2002

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS SERIES 2002B BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS SERIES 2002B BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS SERIES 2002B BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS SERIES 2002B BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY SERIES 2002B BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

No. R-1 $380,000,000

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
SPECIAL FACILITY REVENUE BOND, SERIES 2002B
(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)

[FOR USE WHEN SERIES 2002B BONDS ARE IN CERTIFICATED FORM]
FOR BOND INTEREST TERM RATE PERIOD ONLY

INTEREST RATE (%)	FIRST DAY OF BOND INTEREST TERM AND INTEREST ACCRUAL DATE:	FIRST DAY OF NEXT BOND INTEREST TERM AND INTEREST PAYMENT DATE:	INTEREST DUE ON NEXT INTEREST PAYMENT DATE:	NUMBER OF DAYS IN BOND INTEREST TERM

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: $380,000,000
CUSIP NUMBER: 64971SBJ7
MATURITY DATE: August 1, 2028

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a Second Series Supplemental Indenture (the "Second Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as heretofore supplemented and as supplemented by the Second Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture." All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002B Bond and the issue of which it is a part shall bear interest initially at a Long-Term Interest Rate of 8.50% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002B Bonds and ending July 31, 2028. The principal of and premium (if any) on this Series 2002B Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002B Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002B Bond shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or

caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bond shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the principal of, Redemption Price and Sinking Fund Installments, if any of and interest on this Series 2002B Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002B Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002B Bond to the contrary, so long as this Series 2002B Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on this Series 2002B Bond.

THIS SERIES 2002B BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS SERIES 2002B BOND BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

This Series 2002B Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002B Bonds") issued in the aggregate principal amount of $380,000,000. The Series 2002B Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002B Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of lease dated as of August 1, 1976 as amended and restated in an Agreement of Lease dated December 22, 2000, as amended (collectively the "PA Lease"). The Lessee and the Agency

have entered into a Company Sublease Agreement, dated as of July 1, 2002 (the "Company Sublease"), pursuant to which the Lessee will sub-sublease to the Agency certain real property and improvements to be made or acquired on the Project Premises (the "Leased Facilities") pursuant to the PA Lease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease to the Lessee certain Leased Facilities, and lease to the Lessee the certain systems, machinery, equipment and other tangible personal property (the "Facility Equipment") to be acquired by the Agency on behalf of the Lessee and installed as part of the Project, such improvements, machinery, equipment and tangible personalty to be financed in whole or in part with the proceeds of the Series 2002B Bonds, the Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency and Additional Bonds issued under the Indenture. The Leased Facilities and the Facility Equipment financed in part by the Series 2002B Bonds are referred to collectively herein as the "Facility". The IDA Lease Agreement requires the payment of rentals sufficient to provide for the payment of the principal, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Series 2002B Bonds, together with certain other fees and expenses, as the same become due. Pursuant to the Indenture the Agency has the right to issue one or more Series of Additional Bonds to finance Project Costs.

Special Obligation. This Series 2002B Bond and the issue of which it is a part are special obligations of the Agency payable as to principal, redemption premium, if any, and interest solely from, and secured by a pledge of certain of, the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement, the moneys and securities held in certain funds and accounts established under the Indenture (subject to disbursements therefrom in accordance with the provisions of the Indenture), a Guaranty from the Lessee to the Trustee and a Guaranty from AMR Corporation ("AMR") to the Trustee (collectively the "Guaranty"), and an Equipment Security Agreement from the Agency and the Lessee to the Trustee (the "Equipment Security Agreement"). Payments of amounts due under the Guaranty will be secured by a Leasehold Mortgage and Security Agreement from the Lessee to the Trustee and consented to by the Agency (the "Leasehold Mortgage"). Notwithstanding any other provision herein to the contrary, the Leasehold Mortgage shall not attach, and neither the Leasehold Mortgagee nor the Bondholders shall have any rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and any rights under the Leasehold Mortgage shall not be exercisable until the Reletting Rights Effective Date. In addition to the foregoing, the Series 2002B Bonds will be secured by a pledge and assignment of the Agency's non-possessory right, title and interest in and to the IDA Lease Agreement (exclusive of the Agency's Reserved Rights), as provided in the Indenture. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement, or otherwise default under the IDA Lease Agreement, and the Guarantor shall fail to satisfy its obligations under the Guaranty and, as a result thereof, the principal of the Series 2002B Bonds is declared or becomes due and payable, except as provided in the Equipment Security Agreement and the Leasehold Mortgage, none of the Agency, the Trustee or any holders of Series 2002B Bonds shall have any rights or remedies with respect to the Facility and such rights and remedies shall be limited as set forth in Section 8.12 of the Indenture and in the Leasehold Mortgage. Except as provided in the Equipment Security Agreement, the Series 2002B Bonds are not secured by any lien on or security interest or other interest in the property comprising the Facility or any part thereof or by any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

Each Series of Bonds including the Series 2002B Bonds issued pursuant to the Indenture shall, except as provided in any Series Supplemental Indenture relating thereto, be secured on a parity basis with all other Series of Bonds, if any, issued pursuant to the Indenture without preference, priority or distinction of any Bond over any other Bonds except as provided in the Indenture.

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Interest Rate Periods and Accrual of Interest on the Series 2002B Bonds. The term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which the Series 2002B Bonds shall bear interest at a Daily Interest Rate (a *"Daily Interest Rate Period"*), a Weekly Interest Rate (a *"Weekly Interest Rate Period"*), a Long-Term Interest Rate (a *"Long-Term Interest Rate Period"*), or Bond Interest Term Rates for one or more consecutive Bond Interest Terms (a *"Bond Interest Term Rate Period"*). The initial Interest Rate Period for this Series 2002B Bond shall be a Long-Term Interest Rate Period ending July 31, 2028. The interest rate on the Series 2002B Bonds may be adjusted from time to time from one Interest Rate Period to another and thereafter again adjusted under the circumstances described and permitted in the Second Series Supplemental Indenture. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the Second Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002B Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds, or if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds under the Indenture.

Interest Payment Date. During any Daily Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date (as defined in the Second Series Supplemental Indenture) for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. During any Weekly Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). During any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002B Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

Denominations. The Series 2002B Bonds shall be issued in the form of fully registered Bonds in the denominations of (i) $100,000 and any integral multiple of $5,000 in

excess thereof during any Long-Term Interest Rate Period when the Series 2002B Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P and (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002B Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period (the *"Authorized Denominations"*).

No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the "Maximum Rate," which is defined in the Second Series Supplemental Indenture as the lesser of (i) 25% per annum, (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof or (iii) the maximum rate permitted by law.

Tender and Purchase

Optional Tender for Purchase of Series 2002B Bonds During a Daily Interest Rate Period or Weekly Interest Rate Period. The Series 2002B Bonds are subject to optional tender for purchase by the owner hereof during a Daily Interest Rate Period and a Weekly Interest Rate Period upon the terms and conditions set forth in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase of Series 2002B Bonds on the Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the day next succeeding the last day of each Bond Interest Term for the Series 2002B Bonds, unless such day is the Maturity Date or the first day of a new Interest Rate Period.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period if one of the conditions precedent to the adjustment to a new Interest Rate Period has not been met as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of a Credit Facility. The Series 2002B Bonds are subject to mandatory tender for purchase on the fifth calendar day preceding certain events relating to the termination, expiration, or replacement of a Credit Facility then in effect then securing the Series 2002B Bonds as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement. While the Series 2002B Bonds bear interest at the Daily Interest Rate or Weekly Interest Rate, the Series 2002B Bonds are subject to mandatory tender for purchase on the fifth Business Day following receipt by the Trustee of notice from the Credit Facility Provider which has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds, all as provided for, and subject to the terms and provisions of, the Second Series Supplemental Indenture.

Mandatory Tender for Failure of the Credit Facility Provider to Reinstate Interest. In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility, the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated.

Redemption of Series 2002B Bonds

Optional Redemption During the Daily Interest Rate Period and the Weekly Interest Rate Period. During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds are subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During a Bond Interest Term Rate Period. On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During Initial Long-Term Interest Rate Period. The Series 2002B Bonds shall be subject to redemption in whole or in part prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices
August 1, 2012 to July 31, 2013	101%
August 1, 2013 to July 31, 2014	100-1/2%
August 1, 2014 and thereafter	100%

Optional Redemption During a Long-Term Interest Rate Period Other Than Initial Long-Term Interest Rate Period. During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or such other periods as may be permitted in accordance with the Second Series Supplemental Indenture) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as percentages of principal amount) hereinafter indicated (or such other Redemption Prices as may be specified in accordance with the Second Series Supplemental Indenture), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES
greater than 15	after 10 years at 102%, declining by 1% every year to 100%
less than or equal to 15 and greater than 10	after 7 years at 102%, declining by 1% every year to 100%
less than or equal to 10 and greater than 7	after 5 years at 102%, declining by 1% every year to 100%
less than or equal to 7 and greater than 4	after 3 years at 101%, declining by 1% every year to 100%
less than or equal to 4	after 2 years at 100%

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002B Bonds. The Series 2002B Bonds shall be subject to extraordinary optional

redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Lessee shall have delivered to the Agency and the Trustee an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002B Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002B Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 2002B Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Optional Redemption Without Premium. The Series 2002B Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002B Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be

subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002B Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015	$15,140,000
2016	$16,425,000
2017	$17,825,000
2018	$19,340,000
2019	$20,980,000
2020	$22,765,000
2021	$24,700,000
2022	$26,800,000
2023	$29,080,000
2024	$31,550,000
2025	$34,230,000

2026	$37,140,000
2027	$40,300,000
2028*	$43,725,000

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. All of the Series 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the affected Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002B Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002B Bonds to be redeemed

shall be selected in accordance with the Indenture. Notwithstanding anything in the Indenture to the contrary, if there shall have occurred and be continuing an Event of Default with respect to the Series 2002B Bonds under the Indenture, there shall be no redemption of less than all of the Series 2002B Bonds Outstanding.

Notice of Redemption or Tender. Notice of optional or mandatory redemption of the Series 2002B Bonds or any principal portion thereof, or optional or mandatory tender of the Series 2002B Bonds, shall be given as provided in the Indenture and the Second Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002B Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002B Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002B Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002B Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002B Bond, exist, have happened and have been performed, and that the issuance of this Series 2002B Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002B Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002B Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002B Bond shall have

been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002A Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs, all as of the Bond Date indicated above.

NEW YORK CITY NDUSTRIAL DEVELOPMENT AGENCY

By:_____
Carolyn A. Edwards
Deputy Executive Director

(SEAL)

ATTEST:

Kei Hank
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002B Bonds described in the within mentioned Second Series Supplemental Indenture.

The Bank of New York, as Trustee

By: Beverly Gardner
Authorized Signatory

Date of Authentication: July 31, 2002

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses

already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York

City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doormart U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond

financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately

6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, **March 13, 2000**. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

NEW YORK POST

Published on February 4, 2000 for March 13, 2000 IDA Public Hearing

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds, to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions, and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, approximately shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 105 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 150,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 85,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of : an approximately 14,989 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street, including the construction thereat of an additional six floors; an approximately 57,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street; all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 85th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation, for affiliate thereof, in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 805-825 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doormet U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 252,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36-acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 18, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 6,000 square foot building located at 36-15 13th Street (Block 350, Lot 15); and the acquisition, redevelopment, and equipping of an approximately 2,500 square foot building at 36-11 10th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJD Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 282,297 square foot facility on an approximately 38,800 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and cowlerlens, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 31 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Reel Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5346, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universal Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 126 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

State of New York
COUNTY OF NEW YORK

SS:

BYRON STEVENS being duly sworn, says that he/she is the principal Clerk of the Publisher of the

New York Post

a daily newspaper of general circulation printed and published in the English language, in the County of New York, State of New York; that advertisement hereto annexed has been regularly published in the said "NEW YORK POST" once, on the 12 day of February, 2000

299613

Sworn to before me this 23 day of FEB 2000

Notary Public

DEBORAH P. ROSEN
Notary Public, State of New York
No. 01RO5023290
Qualified in Kings County
Commission Expires Jan. 31, 2002

INDUSTRIAL DEVELOPMENT AGENCY

■ PUBLIC HEARINGS

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal; the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board-games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-16 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 68, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacture and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 squar foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Cor d/b/a. Doormart U.S.A., a new company to formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 360, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 360, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

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I, Zsa Johnstone-Mosher, Paralegal, at New York City Economic Development Corporation, hereby depose and say that the notice attached hereto was taken from and published in the City Record dated March 3, 2000 , volume CXXVII, # 43

Zsa Johnstone-Mosher

State of New York)
) ss.
County of New York)

Sworn to before me this
9th day of March, 2000.

Notary Public

CAROL M. HYDE
Notary Public, State of New York
No. 4977270
Qualified in Queens County
Commission Expires Jan. 28, 2001

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PUBLIC HEARING
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
110 WILLIAM STREET, NEW YORK, NEW YORK
MARCH 13, 2000, 10:00 A.M.

MR. MARSHALL:

"This hearing will come to order. This is a hearing on each of the proposed projects to be described in a few minutes, called by the Mayor of the City of New York and the New York City Industrial Development Agency (the "Agency") pursuant to Section 147(f) of the Internal Revenue Code and Section 859(a) of the General Municipal Law of the State of New York and pursuant to a public notice published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000.

My name is Richard Marshall, and I am Vice President for Legal Affairs at the New York City Industrial Development Agency. I have been designated to preside at these hearings.

At this time I will ask for an appearance on behalf of the Agency."

MS. JOHNSTONE-MOSHER:

"I am Zsa Johnstone-Mosher, Paralegal at the New York City Economic Development Corporation which, under contract, provides administrative and legal services to the Agency. In such connection I assist the General Counsel of the Agency."

MR. MARSHALL:

"The New York City Industrial Development Agency is empowered under the New York State Industrial Development Agency Act to issue tax-exempt, non-recourse revenue bonds to provide financing and financial assistance for industrial, manufacturing, warehousing, commercial, research and civic projects, and to enter into industrial and small industry incentive (straight-lease) transactions, also to provide financial assistance for the same projects, and thereby advance job opportunities, general prosperity and economic welfare of the people of the City of New York and to improve their prosperity and standard of living.

The Agency has been requested (i) to provide financial assistance to and to make the proceeds of its bonds available for the financing of a number of such projects, and/or (ii) to provide financial assistance through industrial and small industry incentive (straight-lease) transactions, also to a number of such projects, and our purpose at today's public hearing is to set forth information with respect to each of the projects and proposed financial assistance related thereto and to answer any questions the audience may have concerning them. In addition, at this time the Agency is providing the public with an opportunity to review the project application and the cost-benefit analysis for each of the proposed projects covered by this hearing today. Copies

of the foregoing materials will be annexed to the transcript which the Agency will prepare to record this hearing."

MS. JOHNSTONE-MOSHER:

"The published public notices of this hearing invited written comments from interested persons to be submitted to the Agency at its offices at 110 William Street, New York, New York 10038. To date, the Agency has received no written comments. The public notices also requested that any persons desiring to make a brief statement regarding any of the projects provide prior written notice thereof to the Agency. To date, the Agency has received no such notices."

MR. MARSHALL:

"A brief description of each project will be given, and anybody wishing to be heard in connection with that project should give his name and address to me and I will call upon you in the order in which your names are received. All questions or statements are to be limited to three minutes."

MS. JOHNSTONE-MOSHER:

"At this time I would like to offer copies of the Notice of Public Hearing published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000, together with respective affidavits of publication.

The first project involves an approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes."

MR. MARSHALL:

"Has anyone registered with you to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"No one has registered to be heard in connection with this project."

MR. MARSHALL:

"Is there anyone present who has not registered who wishes to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"There is no one present who wishes to be heard in connection with this project."

MR. MARSHALL:

"There being no further statements or submissions, I hereby declare the hearing on the American Airlines, Inc. project to be closed."

BOND APPROVAL

I, Michael R. Bloomberg, the Mayor of The City of New York, in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and in reliance upon certain recommendations and other information submitted to me by the Chairman of the New York City Industrial Development Agency, do hereby approve the following proposed project and bond issue for the New York City Industrial Development Agency (the "Agency"):

Approximately $700,000,000 (triple tax-exempt) special facility revenue bonds (American Airlines, Inc. John F. Kennedy International Airport Project) for the benefit of American Airlines, Inc. in connection with the construction, equipping, improvement and renovation of an air passenger terminal consisting of (a) (i) the phased demolition of Terminals 8 and 9 and existing arrival and departure ramps, and (ii) the construction and equipping of an approximately 2,000,000 square foot new terminal, new arrival and departure ramps, and associated parking facilities, all on an approximately 108 acre parcel of land and (b) the renovation of existing aircraft hangers on an approximately 70 acre parcel in the vicinity of Terminals 8 and 9, all located at John F. Kennedy International Airport, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from New York City and New York State sales and use taxes.

MAYOR

Dated: New York, New York

February 27, 2002

WRITTEN ORDER TO AUTHENTICATE AND DELIVER BONDS

July 31, 2002

The Bank of New York,
as Trustee and Paying Agent
101 Barclay Street, Floor 21W
New York, New York 10286

Ladies and Gentlemen:

You are hereby authorized and directed, as Trustee and Paying Agent of the New York City Industrial Development Agency's Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $120,000,000 (the "Series 2002A Bonds") and the New York City Industrial Development Agency's Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $380,000,000 (the "Series 2002B Bonds"), maturing in the years and in the amounts, and bearing interest at the rates per annum, as described in Schedule A attached hereto (the "Series 2002 Bonds"), to authenticate and deliver the Series 2002 Bonds to Salomon Smith Barney Inc., as representative of itself and the other underwriters (the "Underwriter") set forth in the Bond Purchase Agreement, dated July 25, 2002, upon receipt this date by the Agency from the Underwriter of a wire in the amount of $475,974,866.67, such sum equal to the aggregate principal amount of the Series 2002A Bonds and the Series 2002B Bonds, less original issue discount of $24,891,800 and Underwriter's discount of $2,625,000, plus accrued interest of $3,491,666.67.

Very truly yours,

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By:_____
Carolyn A. Edwards
Deputy Executive Director

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
[Name of Issuer]

December 19, 1995
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(Issuer)

By: Julia Binford
(Authorized Officer's Signature)

Julia Binford
Deputy Executive Director
New York City Industrial Development Agency
110 William Street
New York, New York 10038
(212) 312-3821 (Phone)
(212) 312-3915 (Fax)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: _____
(Authorized Officer's Signature)

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

ida New York City Industrial Development Agency

July 31, 2002

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Attention: Jeffrey C. Campbell
Senior Vice President and
Chief Financial Officer

Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)

Dear Sir or Madam:

Reference is made to the Master Indenture of Trust (as from time to time amended, modified and supplemented, the "Indenture"), dated as of July 1, 2002, between the New York City Industrial Development Agency (the "IDA") and The Bank of New York, as trustee (the "Trustee"), pursuant to which the IDA will issue its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Bonds") to finance a portion of Project Costs (as such term and other terms used herein without definition are defined in the Indenture). In connection with the issuance of the Bonds, American Airlines, Inc. (together with any permitted successors and assigns in accordance with Section 6.1 of the IDA Lease Agreement, "American") and AMR Corporation ("AMR") are respectively executing the American Guaranty and the AMR Guaranty (collectively, the "Guaranty") with respect to the Bonds. As security for the obligations under the Guaranty, upon the satisfaction of certain conditions described in the PA Lease, American has agreed, pursuant to the IDA Lease Agreement, to execute and deliver to the Trustee the Leasehold Mortgage subsequent to the date hereof. In accordance with the IDA Lease Agreement, the IDA has agreed to execute the Leasehold Mortgage simultaneously with the execution thereof by American.

The New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act"), authorizes and provides for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York. Pursuant to and in accordance with the provisions of the Enabling

• 110 William Street, New York, NY 10038 • 212. 619. 5000

Act, the IDA was established by Chapter 1082 of the 1974 Laws of New York, as amended (together with the Enabling Act, the "Act"), for the benefit of The City of New York and the inhabitants thereof.

Pursuant to the Act, the IDA is empowered to grant financial assistance with respect to projects, including exemptions from mortgage recording taxes.

To the extent and for so long as it is permitted to do so under the Act, the IDA hereby grants to American an exemption from (1) any mortgage recording tax imposed by the State of New York or any taxing authority thereof pursuant to Article 11 of the Tax Law, Chapter 62 of the Consolidated Laws of New York, as amended, or any statute enacted in substitution or replacement thereof, and (2) any mortgage recording or similar tax imposed by any political subdivision of the State of New York or taxing authority thereof, which may from time to time be imposed with respect to the recording of the Leasehold Mortgage or the recording of (a) any mortgage of American's leasehold interest under the City-American Lease which American is required to use commercially reasonable good faith efforts to execute and deliver to the Trustee pursuant to Section 6.17(j)(i) of the IDA Lease Agreement or (b) any mortgage of American's leasehold interest under a New PA Lease (as defined in Section 6.17(j)(ii) of the IDA Lease Agreement) which American is required to use commercially reasonable good faith efforts to execute and deliver to the Trustee pursuant to Section 6.17(j)(ii) of the IDA Lease Agreement, and which mortgage as described in either clause (a) or (b) is intended to secure repayment of amounts due under the Guaranty (each mortgage referred to in clauses (a) and (b) above being referred to herein as a "Replacement Mortgage").

The IDA agrees to take such action as may be reasonably necessary (including the delivery of affidavits or certificates) to evidence the exemption granted hereby to permit the recording of the Leasehold Mortgage or a Replacement Mortgage without the payment of any mortgage recording or similar tax.

Very truly yours,

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Title: Chairman

Acknowledged and Agreed:

AMERICAN AIRLINES, INC.

By: Leslie M Benners

Title: Leslie M. Benners
Managing Director
Corporate Finance & Banking

AMERICAN AIRLINES, INC.

SECRETARY'S CERTIFICATE

The undersigned, Charles D. MarLett, certifies that he is the Corporate Secretary of American Airlines, Inc., a Delaware corporation (the "Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Company, and with reference to the Bond Purchase Agreement (the "Bond Purchase Agreement") dated July 25, 2002 regarding the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B, among the New York City Industrial Development Agency, the Company, AMR Corporation and Salomon Smith Barney Inc., on behalf of the Underwriters (capitalized terms used herein without definition have the meanings specified in the Bond Purchase Agreement), further certifies that:

1. Attached hereto as Exhibit A is a true and complete copy of the Restated Certificate of Incorporation of the Company that is in full force and effect as of the date hereof.

2. Attached hereto as Exhibit B is a true and complete copy of the Bylaws of the Company as the same have been in effect at all times since April 2, 2002, to and including the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of Delaware as to the valid existence, good standing and franchise tax status of the Company and listing all charter documents on file as of such date.

4. Attached hereto as Exhibit D are true and correct copies of certain resolutions duly adopted by the Board of Directors of the Company at meetings of the Board of Directors duly called and held on January 17, 2001 and January 20, 1999, respectively. At each such meeting a quorum was present and acting throughout, and such resolutions are the only resolutions adopted by the Board of Directors with respect to the matters referred to therein and have not been in any way amended, annulled, rescinded or revoked and are in full force and effect.

5. Attached hereto as Exhibit E is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of New York of authority of the Company to do business in the State of New York.

6. Attached hereto as Exhibit F is a true and complete copy of the Certificate of the Corporate Secretary of the Company as to the incumbency and signature of certain officers of the Company, such certificate countersigned by another officer of the Company whose specimen signature appears therein.

WITNESS the seal of the Company and the signature of the undersigned the 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OF "AMERICAN AIRLINES, INC." AS RECEIVED AND FILED IN THIS OFFICE.

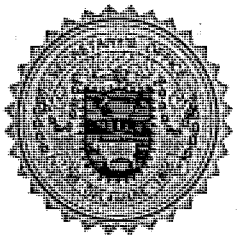
THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE EIGHTH DAY OF MARCH, A.D. 1995, AT 11:45 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE NINETEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 1999, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 1999.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8100X

020474497

AUTHENTICATION: 1902044

DATE: 07-25-02

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:45 AM 03/08/1995
950051386 - 332421

RESTATED
CERTIFICATE OF INCORPORATION
OF
AMERICAN AIRLINES, INC.

AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is AMERICAN AIRLINES, INC. The date of filing of its original Certificate of Incorporation with the Secretary of State was April 11, 1934.
2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is not discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

FIRST: The name of the corporation is AMERICAN AIRLINES, INC.

SECOND: The principal office or place of business of the corporation in the State of Delaware is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its resident agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock that the corporation shall have authority to issue is 1,000 shares of Common Stock, par value $1.00 per share.

FIFTH: The names and places of residence of each of the original incorporators are:

Name	Address
J. Vernon Pimm	Philadelphia, Pa.
Albert G. Bauer	Philadelphia, Pa.
R. L. Spurgeon	Wilmington, Delaware

SIXTH: The corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever, and no action of the corporation shall be construed as a constructive assent to such liability.

EIGHTH: The business of the corporation shall be managed by a Board of Directors.

1. All corporate powers of the corporation shall be exercised by the Board of Directors, except as otherwise provided by law.

2. Directors need not be stockholders, nor residents of the State of Delaware.

3. The number of directors which shall constitute the whole Board shall be such as from time to time shall be fixed by, or in the manner provided in, the By-Laws, but in no case shall the number be less than three.

4. By-Laws of the corporation for the management of its property, the regulation and government of its affairs, and for the certification and transfer of its stock may originally be adopted by the incorporators. Thereafter, the directors shall have power from time to time to make, alter, or repeal By-Laws, but any By-Laws made by the Board of Directors may be altered, amended, or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment, or repeal is included in the notice of such special meeting.

5. The stockholders and directors may hold their meetings and have an office or offices outside the State of Delaware if the By-Laws so provide.

6. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors which, to the extent provided in said resolution or resolutions or in the By-Laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

7. The Board of Directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or as authorized by resolution of the Board of Directors.

8. The Board of Directors shall have power from time to time to fix the amount to be reserved by the corporation over and above its capital stock paid in and to fix and determine and to vary the amount of the working capital of the corporation, and to direct and determine the use and disposition of the working capital and of any surplus or net profits over and above the capital stock paid in.

9. At all meetings of stockholders and at all elections of directors, each holder of capital stock shall have one vote for each share of capital stock registered in his name on the books of the corporation.

10. At all meetings of the stockholders the holders of one-third of the number of shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law.

11. In so far as the same is not contrary to the laws of Delaware, no contract or other transaction between the corporation and any other corporation, association, organization, society, or person shall be affected or invalidated by the fact that any one or more of the directors of this corporation is or are a director or officer, or directors or officers, of such other corporation, association, organization, or society, or by the fact that such other corporation, association, organization, or society, is the owner or holder of any part of the capital stock of this corporation, or is interested in its property, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this corporation or in which this corporation is interested; and no contract, act, or transaction of this corporation with any person or persons, firm or corporation, association, organization, or society, shall be affected or invalidated by the fact that any director or directors of this corporation is a party or are parties to or are interested in such contract, act, or transaction, or in any way connected with such person or persons, firm, corporation, organization, association or society, and each and every person who may become a director of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation for the benefit of himself or any firm, corporation, association, organization or society, in which he may be in any wise interested.

12. Any contract, transaction or act of the corporation or of the Board of Directors which shall be ratified by a majority in interest of a quorum of the stockholders of the corporation having voting power at any annual meeting or special meeting called for such purpose shall be as valid and as binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its directors or officers, of their right to proceed with such contract, transaction or action.

NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 43 of this Chapter, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value

of the creditors or class of creditors and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ELEVENTH: No stockholder of the corporation shall have any preemptive or preferential right, nor shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of the corporation of any class, whether now or hereafter authorized, and whether issued for money or for a consideration other than money, or of any issue of securities convertible into stock.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate in the manner now or hereafter prescribed by statute; and all rights herein conferred upon the stockholders are granted subject to this reservation.

4. This Restated Certificate of Incorporation was duly adopted by unanimous written consent of the stockholders in accordance with the applicable provisions of Section 228, and 245 of the General Corporation Law of the State of Delaware and written notice of the adoption of this Restated Certificate of Incorporation has been given as provided by Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

IN WITNESS WHEREOF, said AMERICAN AIRLINES, INC. has caused this Certificate to be signed by Teri L. Teat, its Vice President and attested by Charles D. MarLett, its Corporate Secretary, this 8th day of March, 1995.

AMERICAN AIRLINES, INC.

By _____
Vice President

ATTEST:

By _____
Corporate Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:00 PM 11/19/1998
981445613 - 0332421

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
AMR SERVICES PROPERTY CORPORATION,
a Delaware corporation
INTO
AMERICAN AIRLINES, INC.,
a Delaware corporation
(Pursuant to Section 253 of the General Corporation Law of the State of Delaware)

American Airlines, Inc., a corporation incorporated under the General Corporation Law of the State of Delaware, does hereby certify that it owns one hundred percent (100%) of the outstanding shares of each class of capital stock of AMR Services Property Corporation, a corporation incorporated under the General Corporation Law of the State of Delaware, and that it, pursuant to resolutions of the Board of Directors of American Airlines, Inc., duly adopted at a meeting of the Board of Directors on November 18, 1998, determined to merge AMR Services Property Corporation with and into American Airlines, Inc., which resolutions are in the following words, to wit:

WHEREAS, American Airlines, Inc. ("**American**") is a corporation duly organized and validly existing under the laws of the State of Delaware; and

WHEREAS, AMR Services Property Corporation ("**AMR Property**") is a corporation duly organized and validly existing under the laws of the State of Delaware; and

WHEREAS, the members of the Board of Directors of American deem it to be in the best interests of American and AMR Property to merge AMR Property with and into American pursuant to a Plan of Merger attached hereto as Exhibit A (the "**Plan of Merger**"); now, therefore, be it

RESOLVED, that the form, terms and provisions of the Plan of Merger be, and the same hereby are, approved and adopted in all respects and that, pursuant to such Plan of Merger, AMR Property merge with and into American (the "**Merger**"), with the result that American will be the surviving corporation; and

FURTHER RESOLVED, that each outstanding share of common stock, par value $1.00 per share, of AMR Property shall be retired and cancelled without entitlement to any consideration in the Merger; and

FURTHER RESOLVED, that any officer of American be, and the same hereby is, authorized, empowered and directed, for and in the name

and on behalf of American, to execute and file the Plan of Merger and the Certificate of Ownership and Merger in the form such officer shall deem appropriate and any other certificates, articles, instruments and other documents in form and substance as such officer shall deem appropriate, all as may be required by the laws of the State of Delaware, to waive any and all conditions and to do all things necessary or helpful to carry out the purposes of the foregoing resolutions and the Plan of Merger adopted thereby, and all acts and deeds of the officers and agents of American which are consistent with the purposes and intent of the above resolutions shall be, and the same hereby are, in all respects, ratified, approved, confirmed and adopted as the acts and deeds of American.

* * * * *

IN WITNESS WHEREOF, American has caused this Certificate to be signed by its Corporate Secretary as of November 19, 1998.

By: _____
Charles D. MarLett
Corporate Secretary

EXHIBIT A

PLAN OF MERGER

This Plan of Merger (the "**Plan of Merger**"), dated as of November 19, 1998, is made and entered into by and between American Airlines, Inc., a Delaware corporation ("**American**"), and AMR Services Property Corporation, a Delaware corporation ("**AMR Property**").

RECITALS

A. American is a corporation duly organized and validly existing under the laws of the State of Delaware.

B. AMR Property is a wholly-owned subsidiary of American.

C. By an Assignment and Assumption Agreement dated November 19, 1998 (the "**Assignment Agreement**"), immediately prior to the execution of this Plan of Merger, AMR Property's affiliate, AMR Services Corporation, a Delaware corporation ("**AMR Services**"), transferred and assigned all of its rights and interests in and to that certain Love Field Terminal and Air Cargo Facility Lease and Agreement between the City of Dallas, as lessor, and Braniff Airways, Incorporated, dated as of May 1, 1967, as amended and supplemented (collectively, the "**Terminal Lease**"), to AMR Property, and AMR Property became the successor lessee under the Terminal Lease. In addition, pursuant to the Assignment Agreement, AMR Services transferred and assigned to AMR Property all of its rights and interests in and under (i) that certain Agreement and Plan of Merger (the "**Merger Agreement**"), dated as of August 26, 1997, by and among AMR Services, Dalfort Aviation Services, L.P. and Asworth Corporation (pursuant to which Dalfort Aviation Services, L.P. was merged with and into AMR Services, with AMR Services continuing as the surviving corporation) and (ii) that certain Letter Agreement, dated as of August 26, 1997, by and between AMR Services and Asworth Corporation, regarding potential challenges to the merger contemplated by the Merger Agreement.

D. Pursuant to Article XVII of the Terminal Lease, no consent or approval of the lessor under the Terminal Lease is required in connection with AMR Property's transfer and assignment of its rights and interests under the Terminal Lease pursuant to the merger contemplated hereby (the "**Merger**") and the parties have been advised that upon consummation of the Merger, AMR Services and AMR Property, as the "lessees" under the Terminal Lease immediately prior to the Merger, will be released from their obligations under the Terminal Lease.

AGREEMENT

In consideration of the promises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that AMR Property shall be merged with and into American upon the terms and conditions hereinafter set forth.

ARTICLE I

Merger

On the effective date of the Merger as provided herein (the "**Effective Date**"), AMR Property shall be merged with and into American, the separate existence of AMR Property shall cease and American (hereinafter sometimes referred to as the "**Surviving Corporation**") shall continue to exist under the name of American Airlines, Inc. by virtue of, and shall be governed by, the laws of the State of Delaware.

ARTICLE II

Certificate of Incorporation of Surviving Corporation

The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of American as in effect on the date hereof without change unless and until amended in accordance with applicable law.

ARTICLE III

Bylaws of the Surviving Corporation

The bylaws of the Surviving Corporation shall be the bylaws of American as in effect on the date hereof without change unless and until amended or repealed in accordance with applicable law.

ARTICLE IV

Effect of Merger on Stock of Constituent Corporations

On the Effective Date, each outstanding share of common stock, par value $1.00 per share, of AMR Property held by American shall be retired and cancelled without entitlement to any consideration in the Merger. The capital stock of American shall not be affected in any manner by the consummation of the Merger.

ARTICLE V

Corporate Existence, Powers and Liabilities of Surviving Corporation; Terminal Lease

5.01. On the Effective Date, the separate existence of AMR Property shall cease. AMR Property shall be merged with and into American, the Surviving Corporation, in accordance with the provisions of this Plan of Merger.

5.02. AMR Property agrees that it will execute and deliver, or cause to be executed and delivered, all such deeds, assignments and other instruments, and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all the property, rights, privileges, immunities, powers, purposes and franchises, and all and every other interest, of AMR Property and otherwise to carry out the intent and purposes of this Plan of Merger.

5.03 In connection with consummation of the Merger, and not in limitation thereof, American expressly agrees to assume fully and satisfy, pay, perform and discharge fully all of the liabilities and obligations of AMR Property under the Terminal Lease. In addition, American represents and warrants to AMR Property and AMR Services that its independent public accounts, Ernst & Young, LLP, have determined that American's net worth on the date hereof is in excess of $100 million, which, to the knowledge of American, is in excess of the net worth of the "Lessee" on the date of execution of the First Supplement to the Terminal Lease, dated November 21, 1983 (constituting part of the Terminal Lease) as referred to in the last subclause of the third sentence of Article XVII of the Terminal Lease.

ARTICLE VI

Officers and Directors of Surviving Corporation

Upon the Effective Date, the officers and directors of the Surviving Corporation shall be the officers and directors of American in office at such date, and such persons shall hold office in accordance with the bylaws of the Surviving Corporation or until their respective successors shall have been appointed or elected.

ARTICLE VII

Amendment

The Board of Directors of American may amend this Plan of Merger at any time prior to the Effective Date.

ARTICLE VIII

Termination of Merger

This Plan of Merger may be terminated and the Merger abandoned at any time prior to the filing of the Certificate of Ownership and Merger with the Secretary of State of Delaware by the consent of the Board of Directors of American.

* * * * *

IN WITNESS WHEREOF, American Airlines, Inc., pursuant to the approval and authority duly given by resolutions adopted by its Board of Directors, has caused this Plan of Merger to be executed by an authorized officer as of the day and year first above written.

AMERICAN AIRLINES, INC.

By: _____
Charles D. MarLett
Corporate Secretary

Certificate of Ownership and Merger
Merging
RENO AIR, INC., A NEVADA CORPORATION
Into
AMERICAN AIRLINES, INC., A DELAWARE CORPORATION
(Pursuant to Section 253 of the General Corporation Law of Delaware)

AMERICAN AIRLINES, INC., A DELAWARE CORPORATION, a corporation incorporated, pursuant to the provisions of the General Corporation Law of the State of Delaware does hereby certify that this corporation owns all the capital stock of RENO AIR, INC., A NEVADA CORPORATION, and that this corporation, by a resolution of its board of directors duly adopted on the 18th day of November, 1998 determined to and did merge into itself said RENO AIR, INC., A NEVADA CORPORATION which resolution is substantially in the following words to wit:

WHEREAS this corporation lawfully owns all the outstanding stock of RENO AIR, INC., A NEVADA CORPORATION, and

WHEREAS this corporation desires to merge into itself the said RENO AIR, INC., A NEVADA CORPORATION and to be possessed of all the estate, property, rights, privileges and franchises of said corporation.

WHEREAS a Plan of Merger by which Reno Air, Inc. merges into American Airlines, Inc. (the "Plan of Merger") has been duly adopted by each constituent corporation. A copy of the Plan of Merger is available without charge from American Airlines, Inc. at the address listed above.

NOW, THEREFORE, BE IT RESOLVED, that this corporation merge into itself, and it does hereby merge into itself said RENO AIR, INC., A NEVADA CORPORATION on the terms and conditions set forth in the Plan of Merger and thereby assumes all of its liabilities and obligations, and

FURTHER RESOLVED, that the president or a vice-president, and the secretary or treasurer of this corporation be and they hereby are directed to make and execute, under the corporate seal of this corporation, a certificate of ownership setting forth a copy of the resolution, to merge said RENO AIR, INC., A NEVADA CORPORATION and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of the State of Delaware,

FURTHER RESOLVED, that the merger of Reno Air, Inc. into American Airlines, Inc. shall be effective as of December 31, 1999 at 10:00 a.m., Pacific Standard Time.

FURTHER RESOLVED, that the officers of this corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:00 PM 12/27/1999
991561816 – 0332421

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by its authorized officer, the 20th day of December, 1999.

AMERICAN AIRLINES, INC., A DELAWARE CORPORATION

By: _____
President

AMERICAN AIRLINES, INC.

BYLAWS

(As amended April 2, 2002)

ARTICLE I

Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each

stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any

series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall be the fifteenth day following receipt of such request or such later date as may be specified by the requesting stockholder.

The date for determining whether an action has been consented to by the required number of stockholders shall be the thirty-first day after written consent forms were mailed to

stockholders or, if no such material is required to be mailed, the thirty-first day following the record date.

Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so

failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

ARTICLE III

Directors: Number, Election, Etc.

Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated

therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.

ARTICLE V

Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation

and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

ARTICLE VI

Committees

Section 1. Executive Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee, to consist of five or more members. The chief executive officer plus three other members of the executive committee shall constitute a quorum.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, with the exception of such powers and authority as may be specifically reserved to the board of directors by law or by resolution adopted by the board of directors.

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of two or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the audit committee shall constitute a quorum.

The audit committee shall from time to time review and approve the selection of independent auditors, the fees to be paid such auditors, the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be specifically delegated to the

committee by the board of directors. In this connection the audit committee shall report periodically to the board of directors and, at its request, meet with representatives of the independent auditors and with the financial officers of the corporation separately or jointly.

Section 3. Compensation/Nominating Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation/nominating committee, to consist of each member of the board of directors, except that no member of the compensation/nominating committee may be an employee or officer of the corporation. A majority of the members of the compensation/nominating committee shall constitute a quorum.

The compensation/nominating committee shall from time to time review and approve the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers, other remuneration plans such as incentive compensation, deferred compensation and stock option plans, directors' compensation and benefits and such other matters as may be specifically delegated to the committee by the board of directors.

In addition, the compensation/nominating committee shall make recommendations to the board of directors (i) concerning suitable candidates for election to the board, (ii) with respect to assignments to board committees, and (iii) with respect to promotions, changes and succession among the senior management of the corporation, and shall perform such other duties as may be specifically delegated to the committee by the board of directors.

Section 4. Diversity Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a diversity committee, to consist of three or more members. Two or more members of the committee shall constitute a quorum.

The diversity committee shall from time to time review the efforts of the Corporation

to achieve and maintain a diverse workforce. The diversity committee shall perform such other duties as may be specifically delegated to the committee by the board of directors. In furtherance of its duties, the diversity committee shall consult with the chief executive officer of the corporation and such other officers as it deems necessary and appropriate.

Section 5. Committee Procedure, Seal.

(a) The executive, compensation/nominating, audit and diversity committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The executive, compensation/nominating, audit and diversity committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence or disqualification of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

Section 6. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

ARTICLE VII

Indemnification

Section 1. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action,

suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (l) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper.

(a) Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1 hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section 1 hereof (unless ordered by a court) may be made

by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in

part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section l of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section l of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII

Officers

Section 1. General. The officers of the corporation shall be the chairman of the board, a vice-chairman, president, chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may abolish the office (except that of president, secretary and treasurer), elect an officer to fill such

vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.

ARTICLE IX

Duties of Officers

Section 1. Chairman of the Board, Vice-Chairman, President, Chief Operating Officer. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice-chairman and chief operating officer shall perform such duties as shall be assigned to each by the board of directors or the chairman of the board. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of (a) chairman of the board and president or (b) president and chief operating officer may be filled by the same individual.

Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.

assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman

of the board, the president shall assume his powers and duties while he is absent or so disabled.

ARTICLE X

Stock

Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and

accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

ARTICLE XI

Miscellaneous

Section l. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and termi- nate upon the 3lst day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the

board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

ARTICLE XII

Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.

Delaware

EXHIBIT C

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "AMERICAN AIRLINES, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE ELEVENTH DAY OF APRIL, A.D. 1934, AT 1 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 1934, AT 9 O'CLOCK A.M.

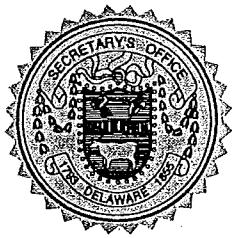
CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF MAY, A.D. 1935, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE FOURTH DAY OF MAY, A.D. 1938, AT 1 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-FOURTH DAY OF OCTOBER, A.D. 1940, AT 3 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-EIGHTH DAY OF OCTOBER, A.D. 1940, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SIXTH DAY OF DECEMBER,



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

A.D. 1944, AT 1 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE NINETEENTH DAY OF FEBRUARY, A.D. 1945, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SECOND DAY OF APRIL, A.D. 1946, AT 11 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TENTH DAY OF JUNE, A.D. 1946, AT 11 O'CLOCK A.M.

CERTIFICATE OF CHANGE OF REGISTERED AGENT, FILED THE FIRST DAY OF DECEMBER, A.D. 1949, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE EIGHTEENTH DAY OF MAY, A.D. 1951, AT 10 O'CLOCK A.M.

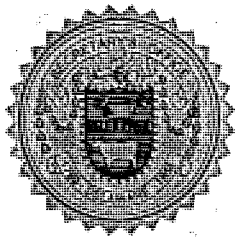
CERTIFICATE OF RETIREMENT, FILED THE SECOND DAY OF JUNE, A.D. 1967, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SECOND DAY OF JUNE, A.D. 1967, AT 4 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE EIGHTH DAY OF MARCH, A.D. 1971, AT 11 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE FIRST DAY OF APRIL, A.D. 1971, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE FIFTEENTH DAY OF



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

MARCH, A.D. 1977, AT 8:30 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF JUNE, A.D. 1977, AT 10 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE THIRTIETH DAY OF DECEMBER, A.D. 1981, AT 10 O'CLOCK A.M.

CERTIFICATE OF MERGER, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE NINTH DAY OF JUNE, A.D. 1987, AT 10 O'CLOCK A.M.

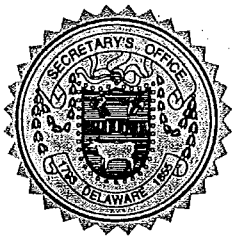
CERTIFICATE OF OWNERSHIP, FILED THE SIXTEENTH DAY OF JULY, A.D. 1987, AT 10 O'CLOCK A.M.

RESTATED CERTIFICATE, FILED THE EIGHTH DAY OF MARCH, A.D. 1995, AT 11:45 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE NINETEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 1999, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 1999.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

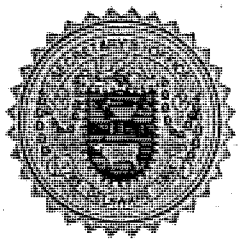
Delaware

The First State

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

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AUTHENTICATION: 1902043

DATE: 07-25-02

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

January 17, 2001

(b). Mr. Horton explained that in 2001 the Corporation would improve its facilities at John F. Kennedy International Airport. He said that this project would be financed through tax-exempt bonds, in one or more series, which would carry either a long-term fixed interest rate not to exceed 9% (except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate. Mr. Horton also explained that the aggregate principal amount of the bonds for this project would not exceed $750 million and that the bonds would be issued for a term not to exceed 45 years.

After discussion, on motion made and seconded, the following resolutions were adopted:

> RESOLVED, that the financing program involving the issuance by The New York City Industrial Development Agency or such other governmental authority authorized to issue bonds for improvements at John F. Kennedy International Airport (the "JFK Authority") of up to $750 million aggregate principal amount of tax exempt bonds (the "2001 JFK Bonds"), in one or more series, pursuant to the terms and provisions of one or more Trust Indentures by and between the JFK Authority and such institution as may be chosen to serve as Trustee for the 2001 JFK Bonds be, and it hereby is, approved;
>
> RESOLVED, that the issuance of the 2001 JFK Bonds, which will have a term to maturity of no more than

45 years from the date of issuance and will carry either a long-term fixed interest rate (not to exceed 9%, except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate, be, and it hereby is, approved; and

RESOLVED, that the set of resolutions entitled "General Financing Resolutions" adopted by the Board of Directors on January 20, 1999, as such resolutions may be amended, be, and they hereby are, incorporated by reference in the foregoing resolutions to the extent such resolutions are, or may be, applicable to the transactions contemplated by such resolutions.

RESOLUTIONS OF JANUARY 20, 1999
ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

RESOLVED, that the following set of resolutions entitled "General Financing Resolutions" be, and they hereby are, approved and adopted, with the intention that such resolutions be incorporated by reference in the resolutions adopted in connection with, and be applicable to, any financing transaction authorized by the Board of Directors, including, without limitation, shelf registrations, offerings of common stock or preferred stock, offerings of warrants or options, offerings of debt instruments, domestic leveraged lease financings, cross-border lease financings, lease debt instruments, bank credit facilities, bank or other lending arrangements, standby credit facilities, offerings of short-term, medium-term or long-term debt instruments, long-term credit agreements, tax-exempt bond financings, and refinancings, repricings, amendments or modifications of any outstanding financing transactions (each such financing transaction for which the Board of Directors adopts the resolutions set forth below being referred to in such resolutions as a "*Financing Transaction*", and any equity or debt securities, or warrants, options or other securities, instruments, interests, or obligations issued, incurred, sold or offered by or on behalf of the Corporation, whether offered or sold publicly or privately, and whether sold in the United States, solely within one or more foreign countries, or in both the United States and one or more foreign countries, in connection with any Financing Transaction being referred to in such resolutions as "*Securities*").

GENERAL FINANCING RESOLUTIONS

Authorization to Execute and Deliver Agreements

RESOLVED, that the Chairman of the Board and Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer and the Corporate Secretary of the Corporation (and any management employee authorized in writing by one of the foregoing officers) (each, an "*Authorized Officer*") be, and each of them hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, and to deliver, all such agreements and instruments as they or any of them may deem necessary or advisable to effect any Financing Transaction or the issuance or sale of any Securities, including but not limited to one or more participation agreements, lease agreements, equipment trust agreements, trust agreements (including, without limitation, pass through trust agreements), purchase agreement assignments, tax indemnity agreements, registration statements, underwriting or other sales agreements, bond purchase agreements, distribution agreements, issuing agent, paying agent or other

agent agreements, exchange rate agreements, dealer agreements, indentures, assumption agreements, option agreements, warrant agreements, guarantees, indemnification agreements, reimbursement agreements, credit agreements, loan agreements, mortgages, security agreements, interest rate, currency, commodity or other swap agreements, refunding agreements, assignment agreements, facilities agreements, securities law undertakings, and amendments or supplements to any existing agreement or instrument, the execution of any such agreement, instrument, amendment or supplement by such person or persons being conclusive evidence of the due authorization and approval thereof by the Corporation.

Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to prepare, execute (personally or by attorney-in-fact) and file or cause to be filed with the Securities and Exchange Commission (the "*Commission*") one or more Registration Statements (each, a "*Registration Statement*") on an appropriate form, including the Prospectuses contained therein (each, a "*Prospectus*"), under the Securities Act of 1933, as amended (the "*1933 Act*"), or one or more amendments (including, without limitation, post-effective amendments) or supplements (including pricing amendments or supplements) to any Registration Statement or Prospectus previously filed under the 1933 Act, covering the offering of any of the Securities, each such Registration Statement to contain such information as may be approved by the Authorized Officer or Authorized Officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval by the Corporation of such Registration Statement, provided that a draft, which may omit exhibits, of each such Registration Statement be furnished to the Board of Directors at a meeting thereof, or be otherwise distributed to the members of the Board of Directors for review, prior to the initial filing of such Registration Statement with the Commission;

RESOLVED, that the officers and directors of the Corporation who may be required to sign and execute a Registration Statement or any amendment thereto or document in connection therewith (whether on behalf of the Corporation, or as an officer or director of the Corporation, or otherwise) be, and each of them hereby is, authorized to execute a power of attorney appointing any Authorized Officer his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity such Registration Statement and any and all amendments (including post-effective amendments) thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in the name and on behalf of each of said officers and directors who shall have executed such a power of attorney, every act whatsoever

which such attorneys, or any of them, may deem necessary or advisable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person; and

RESOLVED, that Anne H. McNamara, Senior Vice President and General Counsel of the Corporation, and John T. Curry, III, of Debevoise & Plimpton, in such instances when Debevoise & Plimpton shall act as counsel for the Corporation, be, and each of them hereby is, designated to act on behalf of the Corporation as agent for service in respect of matters relating to each Registration Statement, with all of the powers enumerated in Rule 478 of the Rules and Regulations of the Commission under the 1933 Act.

Underwriting, Distribution
or Other Sales Arrangements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to enter into such underwriting, distribution or other sales arrangements, including, without limitation, one or more underwriting, distribution or other sales agreements, fixing the sale prices and setting the underwriters', dealers' or agents' fees and other discounts and commissions relating to any of the Securities, as such person or persons may approve, the execution by such person or persons of any such underwriting, distribution or other sales agreement to be conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Indentures and Similar
Instruments Covering Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver one or more indentures, loan agreements, warrant agreements or any similar agreements (including supplements or amendments to any existing indenture, loan agreement, warrant agreement or similar agreement) governing or applying to any Securities (each such indenture or other agreement being referred to as an "*Instrument*") and any supplements or amendments thereto, covering, without limitation, all or any portion of any Securities, in such form as may be approved by the person or persons executing the same on behalf of the Corporation, the execution thereof by such person or persons to be conclusive evidence of the due authorization and approval of such Securities and such Instrument by the Corporation; and that any trustee or trustees under any such Instrument be, and each of them hereby is, requested to join with the Corporation in the execution and delivery of such Instrument.

Certificates Evidencing Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, manually or by facsimile signature, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver any certificates or other instruments evidencing any of the Securities, including without limitation one or more certificates for any Securities to be issued in global form, the execution of any such certificate or other instrument by such officer to be conclusive evidence of the due authorization and approval of such certificate or other instrument by the Corporation; and

RESOLVED, that if any officer of the Corporation signs any certificate or other instrument evidencing any Securities either manually or by facsimile signature and then ceases to be such officer before the certificate or other instrument so signed is authenticated and delivered under the applicable Instrument or disposed of by the Corporation, such certificate or other instrument shall nevertheless be valid and may be authenticated and delivered or disposed of as though the person who signed such certificate or other instrument had not ceased to be such officer of the Corporation.

Appointment of Trustees, Agents and Others

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to appoint one or more trustees (including, without limitation, co-trustees and successor trustees), issuing agents, paying agents, depositories, registrars, calculation agents, exchange rate agents and such other persons as may be deemed by the officer appointing the same to be necessary or advisable to act in accordance with any Instrument or otherwise in connection with any Financing Transaction, the appointment of any such trustee, agent or person by any such person or persons to be conclusive evidence of the due authorization and approval by the Corporation of such appointment.

Exchange Act Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute (personally or by attorney-in-fact) and file or cause to be filed with the Commission one or more registration statements on Form 8-A or any other appropriate form for the purpose of registering all or a portion of the Securities on the New York Stock Exchange, Inc. or any other national securities exchange or any automated quotation system or otherwise registering the Securities pursuant to the Securities Exchange Act of 1934, as amended, such registration statement or statements to be in such form as may be

approved by the officer or officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval of such registration statement or statements by the Corporation.

Listing on Exchange

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation, to execute, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, if requested, and file or cause to be filed with the New York Stock Exchange, Inc. or any other United States or foreign securities exchange or any automated quotation system (each, an "*Exchange*"), any and all applications, agreements or other instruments as are necessary to secure the listing or quotation on such Exchange of all or a portion of the Securities, and to enter into any and all agreements required in connection with such listing;

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized, on behalf of the Corporation, to appear before any such Exchange and to make any changes required by such Exchange in the application of the Corporation or in the Corporation's agreements with such Exchange and to enter into any and all agreements and to do any and all acts or things which any such person or persons may deem necessary or advisable to secure the listing or quotation on such Exchange of all or a portion of the Securities; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more appropriate indemnification agreements with such Exchange, as required under the rules of such Exchange, if facsimile signatures of officers of the Corporation are used on the Securities; and that the Authorized Officers be, and each of them hereby is, authorized to execute in the name of and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary and to deliver indemnification agreements in such form as may be approved by the officer executing the same, the execution of any such agreement by such officer being conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Blue Sky and Other Securities Laws

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized on behalf of the Corporation to take any and all action which they or any of them deem necessary or advisable in order to obtain a permit to issue or sell any Securities, register or qualify any Securities for issuance and sale, or to request or

obtain an exemption from registration of any of the Securities, or to register or obtain a license for the Corporation as a dealer or broker, under the securities laws of such of the states of the United States of America and of such foreign jurisdictions, including, without limitation, Canada, as such officer or officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications and exemptions to execute, adopt, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, irrevocable consents to service of process, surety bonds, powers of attorney and other papers and instruments as may be required under such laws or as may be deemed by such officer or officers to be useful or advisable to be filed thereunder, and to take any and all further action which they or any of them deem necessary or advisable in order to maintain such permits, registrations, qualifications, exemptions or licenses in effect for as long as they or any of them may deem to be in the best interests of the Corporation;

RESOLVED, that it is desirable and in the best interests of the Corporation that the Securities be qualified or registered for sale in various states and other jurisdictions; that the Authorized Officers be, and each of them hereby is, authorized to determine the states or other jurisdictions in which appropriate action shall be taken to qualify or register for sale all or such part of the Securities as any such Authorized Officer or Authorized Officers may deem advisable; that such Authorized Officer or Authorized Officers be, and each of them hereby is, authorized to perform on behalf of the Corporation any and all such acts as any or all of them may deem necessary or advisable in order to comply with the applicable laws of any such states or other jurisdictions, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such Authorized Officer or Authorized Officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall be conclusive evidence of the due authorization and approval by the Corporation of the papers and documents so executed and the actions so taken; and

RESOLVED, that the Corporation hereby approves the designation of certain underwriters, who shall be licensed California broker-dealers, as specified by any Authorized Officer or any Assistant Secretary of the Corporation, as its attorneys-in-fact for the purposes of executing and filing an application on behalf of the Corporation, under applicable provisions of the California Corporation Securities Law of 1968, for the registration, qualification or exemption of part or all of the Securities for offering and sale in the State of California.

Authorization of Hedging Transactions in
connection with Any Financing Transaction

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into any interest rate or currency hedge transaction (including, without limitation, entering into any interest or currency swap, selling short securities, purchasing listed or unlisted futures or options, purchasing interest rate caps, and paying a fee to obtain an underwriter's commitment to purchase debt on a future date at a fixed rate or at a fixed spread over a benchmark rate) in connection with any Financing Transaction, provided that the anticipated all-in cost of such Financing Transaction as hedged (including the amortized cost of the hedge transaction) does not exceed the maximum cost of such Financing Transaction stipulated in the resolutions adopted in connection therewith, and otherwise to be on such terms as may be approved by the person or persons executing on behalf of the Corporation the agreements or instruments relating to such hedge transaction, the execution thereof by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Authorization of Certain Actions in
Connection With Any Tax-Exempt Financing

RESOLVED, that in connection with the financing or refinancing of the cost of facilities and related equipment, machinery and structures of the Corporation through one or more offerings of tax-exempt bonds ("*Tax-Exempt Bonds*") issued by governmental authorities authorized to issue such bonds in the relevant locations, whether inside or outside the United States, the Authorized Officers be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect such financing or refinancing and the sale of the Tax-Exempt Bonds, including, without limitation, the entry into and delivery of the following agreements and instruments with respect to any such financing or refinancing:

(1) a guaranty of the principal of, premium, if any, and interest on any series of Tax-Exempt Bonds issued in connection with any such financing or refinancing;

(2) one or more reimbursement agreements or other arrangements in connection with the issuance of letters of credit relating to any such financing or refinancing;

(3) a bond purchase agreement or remarketing agreement among the Corporation, AMR Corporation ("*AMR*"), the issuer of such Tax-Exempt Bonds, and such underwriters or remarketing agents as may be chosen (such underwriters and

remarketing agents to be referenced, collectively, as the "*Underwriters*") relating to the purchase of such Tax-Exempt Bonds; and

(4) any other contract or agreement deemed necessary to effectuate any such financing or refinancing described above, including, without limitation, facilities agreements, deeds, equipment and facilities leases or subleases, tax compliance agreements, securities law undertakings and any agreement between the Corporation and a municipal bond insurance company or bank providing for the issuance by such insurance company or bank of, as the case may be, a policy of bond insurance or letter of credit with respect to such Tax-Exempt Bonds;

RESOLVED, that in order to further implement the foregoing resolution, the use by the Underwriters of a preliminary official statement or preliminary remarketing circular or other offering document or prospectus with respect to any such Tax-Exempt Bonds (the "*POS*"), each POS to contain such information as may be approved by an officer of the Corporation or of AMR (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation), be, and it hereby is, authorized and approved, and the use of a final official statement or remarketing circular or other offering document or prospectus relating to such Tax-Exempt Bonds, in substantially the same form as the POS, with such changes therefrom as may be approved by an officer of the Corporation or of AMR (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation) be, and it hereby is, authorized and approved; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more reimbursement agreements or other arrangements in connection with the renewal or replacement of letters of credit relating to payment of Tax-Exempt Bonds or any of the Corporation's obligations in connection therewith, such reimbursement agreements or other arrangements and letters of credit to be on such terms as may be approved by the person or persons executing such reimbursement agreements or other arrangements on behalf of the Corporation, and to enter into and deliver such other agreements and instruments as may be deemed by the person or persons executing the same on behalf of the Corporation to be necessary or advisable in connection therewith, the execution of such reimbursement agreements or other arrangements and other agreements and instruments by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Miscellaneous

RESOLVED, that any officer of the Corporation be, and hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, to deliver any and all such further documents and instruments and to do any and all such acts or things as they or any of them may deem necessary or advisable fully to carry out the intent of the foregoing resolutions and of the Financing Transaction for which such resolutions are adopted.

State of New York
Department of State } ss:

I hereby certify, that AMERICAN AIRLINES, INC. a DELAWARE corporation, filed qualifying papers in this Department on 05/25/1934, and that a certificate of authority to do business in the State of New York was issued to it on the same day. I further certify that so far as shown by the records of this Department, such corporation is still authorized to do business under the laws of the State of New York.

***

Witness my hand and the official seal of the Department of State at the City of Albany, this 25th day of July two thousand and two.

Secretary of State

*200207260370 * 07*

AMERICAN AIRLINES, INC.

INCUMBENCY CERTIFICATE

The undersigned certifies that he is the Corporate Secretary of American Airlines, Inc. (the "Company"), and that, as such, he is authorized to execute and deliver this certificate on behalf of the Company, and further certifies that each of the following persons now is and at all times since July 17, 2002, has been a duly elected and qualified officer or management employee of the Company, holding the office (or offices) or position in the Company set forth opposite his or her name below, and the signature appearing opposite each person's name is a specimen of his or her genuine signature.

Name	Office(s) or Position	Signature
Jeffrey C. Campbell	Senior Vice President Finance and Chief Financial Officer	
Beverly K. Goulet	Vice President Corporate Development and Treasurer	
Leslie Mandeville Benners	Managing Director Corporate Finance and Banking	
James L. Fitzgerald	Managing Director Corporate Taxes	
James M. Lucas	Managing Director Senior Tax Counsel	
Anthony R. Matteo	Manager - Domestic Banking	

WITNESS the seal of the Company and the signature of the undersigned this 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

The undersigned hereby certifies that Charles D. MarLett is the Corporate Secretary of the Company and that his signature appearing above is his genuine signature.

WITNESS the signature of the undersigned this _____ day of _____, 2002.

Beverly K. Goulet
Vice President - Corporate Development
and Treasurer

CERTIFICATE PURSUANT TO BOND PURCHASE AGREEMENT

I, the undersigned, Vice President-Corporate Development and Treasurer of American Airlines, Inc. (the "Company"), do hereby make and execute this certificate pursuant to Section 9(d)(5) of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated July 25, 2002, among the New York City Industrial Development Agency, the Company, AMR Corporation and Salomon Smith Barney Inc., on behalf of the Underwriters, relating to the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B (the "Bonds"). All capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement. I do hereby certify that, to the best of my knowledge:

(a) the representations and warranties of the Company contained in Section 5 of the Bond Purchase Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof; and

(b) the Company has complied with all the terms of the Bond Purchase Agreement, the Company Sublease, the Lease Agreement, the Port Authority Lease, the ATEIL, the RNDA, the Equipment Security Agreement, the Consent to Subleases, the Company Guaranty, the Undertaking and the Tax Certificate to be complied with by it prior to or concurrent with the Closing Date.

IN WITNESS WHEREOF, the undersigned, being hereunto duly authorized, hereby executes this Certificate this July 31, 2002.

AMERICAN AIRLINES, INC.

By: Beverly Goulet

Beverly K. Goulet
Vice President-Corporate
Development and Treasurer

ERNST & YOUNG

Ernst & Young LLP
Suite 1500
2121 San Jacinto Street
Dallas, Texas 75201

Phone: (214) 969-8000
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Telex: 6710375
www.ey.com

July 31, 2002

Jeffrey C. Campbell
Senior Vice President
and Chief Financial Officer
American Airlines, Inc.
P.O. Box 619616
DFW Airport, Texas 75261-9616
and
Salomon Smith Barney Inc.
As Senior Managing Underwriter of the Several Underwriters
c/o Salomon Smith Barney Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013

Dear Sirs:

We have audited the consolidated balance sheets of AMR Corporation (AMR) as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001, and the related consolidated financial statement schedule, all included in AMR's Annual Report on Form 10-K for the year ended December 31, 2001, and the consolidated balance sheets of American Airlines, Inc. (American) as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001, and the related consolidated financial statement schedule, all included in American's Annual Report on Form 10-K for the year ended December 31, 2001, which consolidated financial statements and schedules of AMR and American are incorporated by reference in Appendix A of the Official Statement of the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A, 2002B, 2002C, and 2002D. Our reports with respect thereto are also incorporated by reference in Appendix A to the Official Statement. This Official Statement, dated July 25, 2002, is herein referred to as the "Official Statement."

We are independent auditors with respect to AMR and American under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, and its interpretations and rulings.

We have not audited any financial statements of AMR or American as of any date or for any period subsequent to December 31, 2001. The purpose (and therefore the scope) of our audits for the year ended December 31, 2001, was to enable us to express our opinion on the consolidated financial statements of AMR or American as of December 31, 2001, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited condensed consolidated balance sheets of AMR or American as of March 31, 2002 and June 30, 2002, the unaudited consolidated statements of operations of AMR or American for the three-month periods ended March 31, 2002 and 2001 and the three and six-month periods ended June 30, 2002 and 2001, and the unaudited condensed consolidated statements of cash flows for AMR or American for the three-month periods ended March 31, 2002 and 2001 and the six-month periods ended June 30, 2002 and 2001, all included in AMR's or American's Quarterly Report on Form 10-Q for the quarters ended March 31, 2002 or June 30, 2002, and incorporated by reference in Appendix A to the Official Statement, or the financial position, results of operations, or cash flows of AMR or American as of any date or for any period subsequent to December 31, 2001.

1. At your request, we have read the 2002 minutes of meetings of the Board of Directors of AMR, the Audit, Compensation / Nominating and Diversity Committees of the Board of Directors of AMR; the Board of Directors of American; the stockholders of AMR; and the consent of the sole stockholder of American, as set forth in the minutes book through July 26, 2002, officials of AMR and American having advised us that the minutes of all such meetings through that date were set forth therein, except for the minutes of the meetings of the Board of Directors of AMR and the Board of Directors of American on July 17, 2002 and the meetings of the Audit, Compensation / Nominating and Diversity Committees of the Board of Directors of AMR on July 16, 2002 for which minutes have not been prepared, but as to which we have inquired of officials of AMR and American as to the actions taken at such meetings, and we have carried out other procedures to July 26, 2002, as follows (our work did not extend to the period from July 27, 2002 to July 31, 2002, inclusive):

    a. With respect to the three-month periods ended March 31, 2002 and 2001, and the three and six-month periods ended June 30, 2002 and 2001 we have:

        (i) Read the unaudited condensed consolidated balance sheets of AMR and American as of March 31, 2002 and June 30, 2002, the unaudited consolidated statement of operations of AMR and American for the three-month periods ended March 31, 2002 and 2001 and the three and six-month periods ended June 30, 2002 and 2001, and the unaudited condensed consolidated statements of cash flows of AMR and American for the three-month periods ended March 31, 2002 and 2001 and the six-month periods ended June

30, 2002 and 2001, all included in AMR's or American's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 or June 30, 2002, and incorporated by reference in Appendix A to the Official Statement. Officials of AMR and American have advised us that no condensed consolidated financial statements as of any date or for any period subsequent to June 30, 2002, are available.

(ii) Inquired of certain officials of AMR and American who have responsibility for financial and accounting matters as to whether the unaudited condensed consolidated financial statements referred to in 1.a(i) are in conformity with accounting principles generally accepted in the United States applied on a consistent basis with that of the audited consolidated financial statements incorporated by reference in Appendix A to the Official Statement. Those officials stated that the unaudited condensed consolidated financial statements referred to above are in conformity with accounting principles generally accepted in the United States applied on a consistent basis with that of the audited consolidated financial statements incorporated by reference in Appendix A to the Official Statement, except that on January 1, 2002 AMR and American adopted Statement on Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* as discussed in footnote 7 to the March 31, 2002 and June 30, 2002 unaudited condensed consolidated financial statements of AMR and American incorporated by reference in Appendix A to the Official Statement.

b. As indicated in 1.a.(i) above, no condensed consolidated financial statements as of any date or for any period subsequent to June 30, 2002, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after June 30, 2002, have, of necessity, been even more limited than those with respect to the periods referred to above. We have inquired of certain officials of AMR and American who have responsibility for financial and accounting matters whether (i) at July 26, 2002, there was any change in the consolidated capital stock, increase in consolidated long-term debt, or decrease in consolidated net current assets or consolidated stockholders' equity of AMR as compared with amounts shown in AMR's June 30, 2002 unaudited condensed consolidated balance sheet incorporated by reference in Appendix A to the Official Statement; (ii) at July 26, 2002, there was any change in the consolidated capital stock, increase in consolidated long-term debt, or decrease in consolidated net current assets or consolidated stockholder's equity of American as compared with amounts shown in American's June 30, 2002 unaudited condensed consolidated balance sheet incorporated by reference in Appendix A to the Official Statement; (iii) for the period from July 1, 2002 to July 26, 2002, there were any decreases, as compared with

the corresponding period in the preceding year, in consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, consolidated net earnings (loss), or per share amounts of consolidated net earnings (loss) of AMR; and (iv) for the period from July 1, 2002 to July 26, 2002, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, or consolidated net earnings (loss) of American. Those officials stated that the changes, increases or decreases are as disclosed in Exhibit A to this letter. A statement of operations decrease is defined as: (a) a reduction in revenue, income, or earnings from the corresponding period in the preceding year; or (b) an increase in a loss amount from the corresponding period in the preceding year.

2. At your request, we have performed additional procedures on the items identified by you on the attached copies of certain pages of: (i) AMR's Annual Report on Form 10-K for the year ended December 31, 2001; (ii) American's Annual Report on Form 10-K for the year ended December 31, 2001; (iii) AMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002; (iv) American's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002; (v) AMR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002; and (vi) American's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, (all of which are incorporated by reference in Appendix A to the Official Statement, and attached as Exhibits B, C, D, E, F, and G to this letter), and have performed the following procedures which were applied with respect to the symbols explained below.

   Agreed-upon procedures performed:

   (A) We compared or recomputed the dollar or other amounts with or from the appropriate amounts appearing in AMR or American's audited consolidated financial statements for the year ended December 31, 2001, incorporated by reference in Appendix A to the Official Statement, or AMR or American's audited consolidated financial statements included in their Annual Reports on Form 10-K for the years ended December 31, 1999 or 1997, to the extent such amounts are included in or can be derived from such statements.

   (B) We compared or recomputed the dollar or other amounts with or from the appropriate amounts appearing in AMR's or American's unaudited condensed consolidated financial statements for the quarters ended March 31, 2002 or June 30, 2002, incorporated by reference in Appendix A to the Official Statement, to the extent such amounts are included in or can be derived from such statements.

(C) We compared or recomputed the dollar or other amounts not derived directly from the financial statements referred to in (A) or (B) above with or from the appropriate amounts appearing in the general ledger or accounting records of AMR or American, to the extent such amounts could be compared with or recomputed from amounts in the general ledger or accounting records of AMR or American.

(D) We compared or recomputed the amounts not derived directly from the financial statements, general ledger or accounting records referred to in (A), (B), and (C) above with or from amounts in schedules prepared by AMR or American.

(E) We proved the arithmetic accuracy of the amounts, percentages, and ratios by using amounts in the above-mentioned financial statements, general ledgers, accounting records, and/or schedules.

(F) We compared the amount to the amount recorded in AMR's general ledger for AMR's employee home computer program noting the amount per the general ledger was $61 million.

(G) We recomputed the portion of rental expense representative of the interest factor utilizing the Company's assumption regarding the percentage of rental expense representative of the interest factor. We compared such amounts used in the calculation with the appropriate amounts appearing in the general ledger or accounting records of AMR or American. We do not comment on the appropriateness of the percentage of rental expense assumed to be representative of the interest factor or the manner in which it has been calculated.

3. In all instances described in paragraph 2. above, except as noted otherwise: (i) amounts, percentages, and ratios compared were found to be in agreement, after giving consideration to rounding or truncating; (ii) amounts, percentages, and ratios recomputed were compared with the corresponding amounts and percentages in the referenced documents and were found to be in agreement, after giving consideration to rounding or truncating; and (iii) with respect to the schedules prepared by AMR or American, the relevant mathematical computations were recomputed and such amounts were in agreement with the corresponding amounts on such schedules prepared by AMR or American, after giving consideration to rounding and truncating.

4. Our audits of the consolidated financial statements of AMR and American for the periods referred to in the introductory paragraph of this letter comprised of audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.

5. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1. through 3. above; rather, the procedures enumerated therein are those the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts, percentages, or ratios referred to in paragraph 2. above and set forth or incorporated by reference in Appendix A to the Official Statement. Further, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statements of AMR or American taken as a whole.

6. The foregoing procedures do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States. Had we performed additional procedures or had we conducted an audit or review of AMR or American's March 31, 2002 and 2001, or June 30, 2002 and 2001 condensed consolidated financial statements in accordance with standards established by the American Institute of Certified Public Accountants, other matters might have come to our attention that would have been reported to you.

7. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.

8. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the offering document or any other document, except that reference may be made to it in the bond purchase agreement or any list of closing documents pertaining to the offering of the securities covered by the Official Statement.

9. We have no responsibility to update this letter for events and circumstances occurring after July 26, 2002.

Very truly yours,

Ernst & Young LLP

EXHIBIT A ATTACHED TO ERNST & YOUNG'S
LETTER TO AMERICAN AIRLINES, INC. AND THE UNDERWRITERS
DATED July 31, 2002

AMR Corporation

We have been informed by officials of AMR that consolidated long-term debt is expected to increase, and consolidated net current assets and consolidated stockholders' equity are expected to decrease from June 30, 2002 to July 26, 2002.

We have been informed by officials of AMR that consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, consolidated net earnings (loss), and per share amounts of consolidated net earnings (loss) of AMR are expected to decrease for the period July 1, 2002 through July 26, 2002 as compared with the corresponding period in the preceding year.

American Airlines, Inc.

We have been informed by officials of American that consolidated net current assets and consolidated stockholder's equity are expected to decrease from June 30, 2002 to July 26, 2002.

We have been informed by officials of American that consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, and consolidated net earnings (loss) are expected to decrease for the period July 1, 2002 through July 26, 2002 as compared with the corresponding period in the preceding year.

Exhibit B

PART I

ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's operations fall almost entirely in the airline industry. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world. At the end of 2001, American provided scheduled jet service to more than 161 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system.

In addition, AMR Eagle Holding Corporation (AMR Eagle), a wholly-owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle" -- American Eagle Airlines, Inc. and Executive Airlines, Inc. (Executive). These two American Eagle carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

AMR Investment Services, Inc., a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of AMR's defined benefit and defined contribution plans, as well as its short-term investments. It serves as manager of the American AAdvantage Funds, a family of mutual funds with both institutional and retail shareholders, and provides customized fixed income portfolio management services. As of December 31, 2001, AMR Investment Services was responsible for management of approximately $29.9 billion in assets, including direct management of approximately $17.8 billion in short-term fixed income investments.

Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Holdings Corporation (Sabre) Class A Common Stock for each share of AMR stock owned by AMR's shareholders, thus distributing its entire ownership interest in Sabre. As such, Sabre has been treated as a discontinued operation in Item 6 – Selected Consolidated Financial Data, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 – Consolidated Financial Statements. In addition, the discussion in the Other Items of this Form 10-K relates primarily to American and AMR Eagle.

On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines (United) aircraft were also hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

A

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Act), which for all U.S. airlines and air cargo carriers (collectively, air carriers) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the attacks, of which the Company has received approximately $728 million as of December 31, 2001 and expects to receive additional payments in 2002 aggregating approximately $128 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expires 180 days after the enactment of the Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier.

On November 12, 2001, American Airlines Flight 587 crashed shortly after take-off from John F. Kennedy International Airport en route to Santo Domingo in the Dominican Republic. In addition to the loss of life on board the aircraft, there were several fatalities and injuries to persons on the ground as well as property damage. The National Transportation Safety Board is currently investigating the accident; a cause has yet to be determined. As a result of the accident, claims have been made against American. It is anticipated these claims will be covered under American's insurance policies.

Competition

Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United also have hub operations at DFW and Chicago O'Hare, respectively.

The American Eagle carriers increase the number of markets the Company serves by providing connections to American at American's hubs and certain other major airports. The American Eagle carriers serve smaller markets through Boston, DFW, Chicago, Miami, San Juan, Los Angeles and New York's LaGuardia and John F. Kennedy International Airports. In addition, American contracts with three independently owned regional airlines which do business as the "American Connection" to provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide similar services at their major hubs.

In addition to its extensive domestic service, the Company provides international service to the Caribbean, the Bahamas, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 28 percent, 30 percent and 29 percent of the Company's total operating revenues in 2001, 2000 and 1999, respectively. Additional information about the Company's foreign operations is included in Note 15 to the consolidated financial statements.

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Also in 1999, the Company entered a plea agreement with the U.S. Government with respect to a one count indictment relating to the storage of hazardous materials. As part of the plea agreement, the Company was placed on probation for three years and has adopted a comprehensive compliance program. To the extent the Company fails to abide by the terms of the probation or its compliance program, the Company's operations may be adversely impacted.

American and Executive, along with other tenants at the Luis Muñoz Marin International Airport in San Juan, Puerto Rico, have been named as PRPs for environmental claims at the airport.

American Eagle Airlines, Inc. has been notified of its potential liability under New York law at an inactive hazardous waste site in Poughkeepsie, New York.

The Company does not expect these matters, individually or collectively, to have a material impact on its financial condition, results of operations or cash flows.

Labor

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The airline business is labor intensive. Wages, salaries and benefits represented approximately 37 percent of AMR's consolidated operating expenses for the year ended December 31, 2001.

The majority of the Company's employees are represented by labor unions and covered by collective bargaining agreements. The Company's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among the Company and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. If no agreement is reached in mediation, the NMB may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of workers to replace strikers.

American reached a new contract with the Association of Professional Flight Attendants (APFA) during 2001. The new contract becomes amendable on November 30, 2004.

American reached new agreements with the Transport Workers Union (TWU) during 2001 concerning the eight employee groups represented by the TWU. The new agreements become amendable on March 1, 2004.

In 2001, American commenced negotiations with the Allied Pilots Association (APA). The APA agreement became amendable August 31, 2001.

In addition, a provision under the current APA contract further limits the number of available seat miles (ASMs) and block hours flown by American's regional carriers when pilots from American are on furlough. American Eagle continues to accept previously ordered regional jets. This will cause the ASM cap to be reached in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Towards that end, American Eagle is reducing the number of ASMs flown by its carriers, including, but not limited to: (i) removal of seats from its Saab and ATR aircraft, (ii) reduction in the number of turboprop aircraft, and (iii) reducing the frequency and/or withdrawing from several routes across its network. American Eagle will continue to evaluate a number of potential alternatives involving the carrier's Miami operations and Executive, which range from changing its codeshare agreement with American to the potential sale of some or all of these assets.

The Air Line Pilots Association (ALPA), which represents American Eagle pilots, reached agreement with American Eagle effective September 1, 1997, to have all of the pilots of the Eagle carriers covered by a single collective bargaining agreement. This agreement lasts until October 31, 2013. The agreement provides to the parties the right to seek limited changes in 2000, 2004, 2008 and 2012. If the parties are unable to agree on the limited changes, they also agreed that the issues would be resolved by interest arbitration, without the exercise of self-help (such as a strike). ALPA and American Eagle negotiated a tentative agreement in 2000, but that agreement failed in ratification. Thereafter, the parties participated in interest arbitration. The interest arbitration panel determined the limited changes which should be made and these changes were appropriately effected.

The Association of Flight Attendants (AFA), which represents the flight attendants of the Eagle carriers, reached agreement with American Eagle effective March 2, 1998, to have all flight attendants of the American Eagle carriers covered by a single contract. The agreement became amendable on September 2, 2001. However, the parties agreed to commence negotiations over amendments to the agreement in March 2001. The parties are still engaged in direct negotiations. The other union employees at the American Eagle carriers are covered by separate agreements with the TWU which were effective April 28, 1998, and are amendable April 28, 2003.

The portions of the Company's work force which are non-union have already largely incorporated their counterparts from TWA. With respect to the integration of the unionized portions of the work forces at American and TWA, the Company engaged facilitators to work with American's and TWA's unions in attempting to achieve integration agreements acceptable to all unions. Unfortunately, these discussions were unable to produce agreements acceptable to both unions as to each class or craft. American later reached integration agreements with the APA (with respect to pilot integration issues) and the APFA (with respect to flight attendant integration issues). Discussions with the TWU did not result in an agreement on integration of the eight work groups represented at American by the TWU. However, American and the TWU will be participating in arbitration with respect to certain integration issues in late February and early March 2002. The International Association of Machinists, which represents certain work groups at TWA, will be participating as well. The details of the arbitration agreement are still being worked out. Currently, the NMB is considering a petition asking that it declare American and TWA a single carrier for labor relations purposes and the representation effects of such a ruling (a single carrier ruling is believed likely to occur). It is expected that the NMB will most likely designate American's incumbent unions as the collective bargaining representatives of the combined work groups once a single carrier is found to exist. The integration of the unionized work groups will thereafter follow in a schedule worked out between American and the relevant unions.

Fuel

The Company's operations are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 1999 through 2001 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Average Cost Per Gallon, Excluding Fuel Taxes (in cents)	Percent of AMR's Operating Expenses
1999	3,084	$ 1,696	55.0	50.4	10.2
2000	3,197	2,495	78.1	72.8	13.6
2001	3,461	2,888 *	81.4 *	76.4 *	13.5

* The amounts for 2001 reflect the January 1, 2001 adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133); the 2000 and 1999 amounts do not. See a further discussion of the impact of SFAS 133 to the Company in Note 8 to the consolidated financial statements.

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The impact of fuel price changes on the Company and its competitors is dependent upon various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices, which has had the effect of reducing the Company's average cost per gallon. During 2001 and 2000, the Company's fuel hedging program reduced the Company's fuel expense by approximately $29 million and $545 million, respectively. To reduce the impact of potential fuel price increases in 2002, as of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements. Based on projected fuel usage, the Company estimates that a 10 percent increase in the price per gallon of fuel would result in an increase to aircraft fuel expense of approximately $169 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001. Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, any potential benefit of lower fuel prices may be offset by increased fare competition and lower revenues for all air carriers.

While the Company does not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there was an outbreak of hostilities or other conflicts in oil producing areas, there could be reductions in the production and/or importation of crude oil. If there were major reductions in the availability of jet fuel, the Company's business would be adversely affected.

Additional information regarding the Company's fuel program is included in Item 7(A) – Quantitative and Qualitative Disclosures about Market Risk and in Note 8 to the consolidated financial statements.

Frequent Flyer Program

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits and related services to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time without notice. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months' notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one year after issuance. Most travel awards are subject to capacity controlled seating. In 1999, certain changes were made to the AAdvantage program so that miles do not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American utilizes the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and such award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. These estimates are based upon the Company's 12-month historical average of such costs. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs.

Revenue earned from selling AAdvantage miles to other companies participating in American's frequent flyer program is recognized in two components. The first component represents the revenue for air transportation sold and is valued at current market rates. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized immediately.

In conjunction with the acquisition of TWA's assets (see Note 3 to the consolidated financial statements), members of TWA's Aviators frequent flyer program (Aviators) were eligible to transfer the unused mileage balances in their Aviators account to the AAdvantage program. As part of the purchase price allocation of TWA, the Company established a liability related to the incremental cost of the unused mileage balances in the Aviator's program. Effective November 30, 2001, Aviator's was discontinued and its members have until November 30, 2002 to exchange their Aviators' miles for AAdvantage miles. The Company does not expect the future transfer of Aviators' miles into the AAdvantage program to be material.

At December 31, 2001 and 2000, American estimated that approximately 8.7 million and 6.5 million free travel awards, respectively, were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, American has included the Aviators' miles and excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which are not expected to ever be redeemed for free travel on American. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel on American or other participating airlines and deferred revenues for mileage credits sold to others participating in the program was approximately $1.1 billion and $976 million, representing 14.9 percent and 14.0 percent of AMR's total current liabilities, at December 31, 2001 and 2000, respectively.

The estimated number of free travel awards used for travel on American and American Eagle (excluding TWA) was 2.7 million in 2001, 2.8 million in 2000 and 2.7 million in 1999, representing approximately 7.4 percent of total passengers boarded in 2001, 7 percent in 2000 and 8 percent in 1999 (excluding TWA). The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

Other Matters

Seasonality and Other Factors The Company's results of operations for any interim period are not necessarily indicative of those for the entire year, since the air transportation business is subject to seasonal fluctuations. Higher demand for air travel has traditionally resulted in more favorable operating results for the second and third quarters of the year than for the first and fourth quarters.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fare initiatives, fluctuations in fuel prices, labor actions and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 2001 is included in Note 16 to the consolidated financial statements.

No material part of the business of AMR and its subsidiaries is dependent upon a single customer or very few customers. Consequently, the loss of the Company's largest few customers would not have a materially adverse effect upon the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange (symbol AMR). The approximate number of record holders of the Company's common stock at February 20, 2002 was 13,700.

The range of closing market prices for AMR's common stock on the New York Stock Exchange was:

	2001		2000	
	High	Low	High	Low
Quarter Ended				
March 31	$ 43 3/4	$ 31 1/16	$ 67 3/8	$ 30
June 30	39 3/8	33 1/4	37 7/8	26 7/16
September 30	37 15/16	17 7/8	34 11/16	26 1/8
December 31	23 5/16	16 1/2	39 3/16	27 15/16

Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Class A common stock for each share of AMR stock owned by AMR's shareholders. As a result of the dividend, AMR's stock price was adjusted from $60 9/16 to $25 9/16 by the New York Stock Exchange after the market close on March 15, 2000 to exclude the value of Sabre. The pre-March 15, 2000 stock prices in the above table have not been adjusted to give effect to this distribution.

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No cash dividends on common stock were declared for any period during 2001 or 2000. Payment of dividends is subject to various restrictions described in Note 7 to the consolidated financial statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(in millions, except per share amounts)

	2001 [1,2]	2000	1999	1998 [3]	1997 [3]
Total operating revenues	$ 18,963	$ 19,703	$ 17,730	$ 17,516	$ 16,957
Operating income (loss)	(2,470)	1,381	1,156	1,988	1,595
Income (loss) from continuing operations before extraordinary loss	(1,762)	779	656	1,114	809
Net earnings (loss)	(1,762)	813	985	1,314	985
Earnings (loss) per share from continuing operations before extraordinary loss: [4]					
Basic	(11.43)	5.20	4.30	6.60	4.54
Diluted	(11.43)	4.81	4.17	6.38	4.43
Net earnings (loss) per share: [4]					
Basic	(11.43)	5.43	6.46	7.78	5.52
Diluted	(11.43)	5.03	6.26	7.52	5.39
Total assets	32,841	26,213	24,374	21,455	20,287
Long-term debt, less current maturities	8,310	4,151	4,078	2,436	2,248
Obligations under capital leases, less current obligations	1,524	1,323	1,611	1,764	1,629
Obligation for postretirement benefits	2,538	1,706	1,669	1,598	1,527

1 On April 9, 2001, American purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the 2001 financial information above includes the operating results of TWA since the date of acquisition. See a further discussion of the TWA acquisition in Note 3 to the consolidated financial statements.

2 Includes the second quarter asset impairment charge, the impact of the September 11, 2001 terrorist attacks and $856 million of U.S. Government grant. For a further discussion of these items, see Note 2 to the consolidated financial statements.

3 Restated to reflect discontinued operations.

4 The earnings per share amounts reflect the stock split on June 9, 1998.

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No cash dividends were declared on common shares during any of the periods above.

Information on the comparability of results is included in Management's Discussion and Analysis and the notes to the consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA since the date of acquisition have been included in the accompanying consolidated financial statements for the year ended December 31, 2001 (see Note 3 to the consolidated financial statements). American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world. AMR's operations fall almost entirely in the airline industry.

Results of Operations

AMR's net loss in 2001 was $1.8 billion, or $11.43 loss per share. AMR's net earnings in 2000 were $813 million, or $5.43 per share ($5.03 diluted). On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft were also hijacked and used in terrorist attacks. In response to the terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. Somewhat offsetting the impact of the September 11 events, the Company recorded $856 million in reimbursement from the U.S. Government under the Air Transportation Safety and System Stabilization Act (the Act) (see Note 2 to the consolidated financial statements).

Revenues

2001 Compared to 2000 The Company's 2001 revenues, yield, revenue passenger miles (RPMs) and available seat miles (ASMs) were severely impacted by the September 11, 2001 terrorist attacks, the Company's reduced operating schedule, a worsening of the U.S. economy that had already been dampening the demand for travel both domestically and internationally prior to the September 11, 2001 events, business travel declines as a result of the September 11, 2001 attacks, and increased fare sale activity occurring subsequent to the September 11 attacks to encourage passengers to resume flying. The Company's revenues decreased approximately $740 million, or 3.8 percent, versus 2000. However, excluding TWA's revenues for the period April 10, 2001 through December 31, 2001, the Company's revenues would have decreased approximately $2.6 billion versus 2000.

For comparability purposes, the following discussion does not combine American's and TWA's results of operations or related statistics for 2001. American's passenger revenues decreased by 14 percent, or $2.3 billion. In 2001, American derived approximately 68 percent of its passenger revenues from domestic operations and approximately 32 percent from international operations. American's domestic revenue per available seat mile (RASM) decreased 11.3 percent, to 9.28 cents, on a capacity decrease of 5 percent, or 104 billion ASMs. International RASM decreased to 9.07 cents, or 5.2 percent, on a capacity decrease of 4.9 percent. The decrease in international RASM was led by an 11.8 percent and 10.8 percent decrease in Pacific and European RASM, respectively, slightly offset by a 0.9 percent increase in Latin American RASM. The decrease in international capacity was driven by a 6.5 percent and 4.7 percent reduction in Latin American and European ASMs, respectively, partially offset by an increase in Pacific capacity of 2.8 percent.

TWA's passenger revenues were approximately $1.7 billion for the period April 10, 2001 through December 31, 2001. TWA's RASM was 7.74 cents on capacity of 21.7 billion ASMs.

AMR Eagle's passenger revenues decreased $74 million, or 5.1 percent. AMR Eagle's traffic remained flat compared to 2000, at 3.7 billion RPMs, while capacity increased to 6.5 billion ASMs, or 3.4 percent. Similar to American, the decrease in AMR Eagle's revenues was due primarily to the September 11, 2001 terrorist attacks and a worsening of the U.S. economy that had already been dampening the demand for air travel prior to that date.

Cargo revenues decreased 8.2 percent, or $59 million, for the same reasons as noted above.

2000 Compared to 1999 The Company's revenues increased approximately $2.0 billion, or 11.1 percent, versus 1999. American's passenger revenues increased by 11.3 percent, or $1.7 billion. The increase in revenues was due primarily to a strong U.S. economy, which led to strong demand for air travel both domestically and internationally, a favorable pricing climate, the impact of a domestic fuel surcharge implemented in January 2000 and increased in September 2000, a labor disruption at one of the Company's competitors which positively impacted the Company's revenues by approximately $80 to $100 million, and a schedule disruption which negatively impacted the Company's operations in 1999. In 2000, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations.

American's domestic RASM increased 12.4 percent, to 10.42 cents, on a capacity decrease of 1.6 percent, or 109.5 billion ASMs. The decrease in domestic capacity was due primarily to the Company's More Room Throughout Coach program. International RASM increased to 9.64 cents, or 10.7 percent, on a capacity increase of 3.2 percent. The increase in international RASM was led by a 16.5 percent, 13.4 percent and 7.8 percent increase in Pacific, European and Latin American RASM, respectively. The increase in international capacity was driven by a 6.6 percent, 2.7 percent and 0.5 percent increase in European, Pacific and Latin American ASMs, respectively.

AMR Eagle's passenger revenues increased $158 million, or 12.2 percent. AMR Eagle's traffic increased to 3.7 billion RPMs, up 10.7 percent, while capacity increased to 6.3 billion ASMs, or 10.9 percent. The increase in revenues was due primarily to growth in AMR Eagle capacity aided by a strong U.S. economy, which led to strong demand for air travel, and a favorable pricing environment.

Cargo revenues increased 12.1 percent, or $78 million, due primarily to a fuel surcharge implemented in February 2000 and increased in October 2000, and the increase in cargo capacity from the addition of 16 Boeing 777-200ER aircraft in 2000.

OPERATING EXPENSES

2001 Compared to 2000 The Company's operating expenses increased 17 percent, or approximately $3.1 billion. However, excluding TWA's expenses for the period April 10, 2001 through December 31, 2001, the Company's expenses would have increased approximately $888 million versus 2000. In addition to the specific explanations provided below, the significant decline in passenger traffic resulting from the terrorist acts of September 11, 2001 and resulting reduced operating schedule caused a favorable impact on certain passenger-related operating expenses, including aircraft fuel, other rentals and landing fees, commissions to agents and food service. American's cost per ASM increased 6.3 percent to 11.14 cents, excluding TWA and the impact of special charges - net of U.S. Government grant. The increase in American's cost per ASM was driven partially by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 3.3 percent, excluding TWA and the impact of special charges - net of U.S. Government grant. TWA's cost per ASM, excluding the impact of special charges - net of U.S. Government grant, was 10.58 cents. Wages, salaries and benefits increased 18.4 percent, or $1.3 billion, and included approximately $920 million related to the addition of TWA. The remaining increase of approximately $329 million related primarily to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. During 2001, the Company recorded approximately $300 million in additional wages, salaries and benefits related primarily to the Company's new contracts with its flight attendants and Transport Workers Union work groups. This was mostly offset by a $328 million decrease in the provision for profit-sharing as compared to 2000. Aircraft fuel expense increased 15.8 percent, or $393 million, and included approximately $322 million related to the addition of TWA. The remaining increase in aircraft fuel expense was due to a 4.2 percent increase in the Company's average price per gallon, partially offset by a 3.7 percent decrease in the Company's fuel consumption, excluding TWA. Depreciation and amortization expense increased 16.8 percent, or $202 million, due primarily to the addition of new aircraft and an

increase of approximately $88 million related to TWA. Other rentals and landing fees increased $198 million, or 19.8 percent, and included approximately $130 million related to the addition of TWA. The remaining increase of $68 million was due primarily to higher facilities rent and landing fees across the Company's system. Commissions to agents decreased 19.5 percent, or $202 million, and included approximately $59 million related to TWA. The decrease in commissions to agents was due primarily to a 13.2 percent decrease in passenger revenues, excluding TWA, and the benefit from commission structure changes implemented in 2000. Aircraft rentals increased $222 million, or 36.6 percent, due primarily to the addition of TWA aircraft. Other operating expenses increased 11.1 percent, or $368 million, and included approximately $358 million related to TWA. Special charges – net of U.S. Government grant included: (i) a $685 million asset impairment charge recorded in the second quarter of 2001 related to the write-down of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables, (ii) charges resulting from the September 11, 2001 terrorist events, including approximately $552 million related to aircraft charges, $115 million in facility exit costs, $71 million in employee charges and $43 million in other charges, and (iii) an $856 million benefit recognized for the reimbursement from the U.S. Government under the Act. See a further discussion of special charges – net of U.S. Government grant in Note 2 to the consolidated financial statements.

2000 Compared to 1999 The Company's operating expenses increased 10.5 percent or approximately $1.7 billion. American's cost per ASM increased by 10.3 percent to 10.48 cents, partially driven by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 6.9 percent. Wages, salaries and benefits increased $663 million or 10.8 percent, primarily due to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts, an increase of approximately $93 million in the provision for profit-sharing, and a charge of approximately $56 million for the Company's employee home computer program. Aircraft fuel expense increased $799 million, or 47.1 percent, due to an increase of 42.0 percent in the Company's average price per gallon and a 3.7 percent increase in the Company's fuel consumption. The increase in fuel expense is net of gains of approximately $545 million recognized during 2000 related to the Company's fuel hedging program. Depreciation and amortization expense increased $110 million, or 10.1 percent, due primarily to the addition of new aircraft, many of which replaced older aircraft. Maintenance, materials and repairs expense increased $92 million, or 9.2 percent, due primarily to an increase in airframe and engine maintenance volumes at the Company's maintenance bases and an approximate $17 million one-time credit the Company received in 1999. Commissions to agents decreased 10.8 percent or $125 million, despite an 11.4 percent increase in passenger revenues, due primarily to commission structure changes implemented in October 1999 and January 2000, and a decrease in the percentage of commissionable transactions.

OTHER INCOME (EXPENSE)

Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous - net.

2001 Compared to 2000 Interest income decreased $44 million, or 28.6 percent, resulting from lower investment balances throughout most of 2001. Interest expense increased $71 million, or 15.2 percent, resulting primarily from the increase in long-term debt of approximately $4.2 billion. Miscellaneous – net decreased $70 million due primarily to 2001 including a $45 million gain from the settlement of a legal matter related to the Company's 1999 labor disruption, offset by the write-down of certain investments held by the Company. This compares to 2000 including a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated (priceline) common stock and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian Airlines International Limited (Canadian) services agreement.

2000 Compared to 1999 Interest income increased $59 million, or 62.1 percent, due primarily to higher investment balances. Interest expense increased $74 million, or 18.8 percent, resulting primarily from financing new aircraft deliveries. Interest capitalized increased 28 percent, or $33 million, due to an increase in purchase deposits for flight equipment. Miscellaneous - net increased $38 million due primarily to a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline common stock and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian services agreement. During 1999, the Company recorded a gain of approximately $75 million from the sale of a portion of American's interest in Equant N.V. and a gain of approximately $40 million related to the sale of the Company's investment in the preferred stock of Canadian. These gains were partially offset by the provision for the settlement of litigation items and the write-down of certain investments held by the Company during 1999.

OPERATING STATISTICS

The following table provides statistical information for American (excluding TWA) and AMR Eagle for the years ended December 31, 2001, 2000 and 1999.

	Year Ended December 31,		
	2001	2000	1999
American Airlines			
Revenue passenger miles (millions)	106,224	116,594	112,067
Available seat miles (millions)	153,035	161,030	161,211
Cargo ton miles (millions)	2,058	2,280	2,068
Passenger load factor	69.4%	72.4%	69.5%
Breakeven load factor (*)	78.1%	65.9%	63.8%
Passenger revenue yield per passenger mile (cents)	13.28	14.06	13.14
Passenger revenue per available seat mile (cents)	9.22	10.18	9.13
Cargo revenue yield per ton mile (cents)	30.24	31.31	30.70
Operating expenses per available seat mile (cents) (*)	11.14	10.48	9.50
Operating aircraft at year-end	712	717	697
AMR Eagle			
Revenue passenger miles (millions)	3,725	3,731	3,371
Available seat miles (millions)	6,471	6,256	5,640
Passenger load factor	57.6%	59.6%	59.8%
Operating aircraft at year-end	276	261	268

(*) Excludes the impact of special charges – net of U.S. Government grant

Liquidity and Capital Resources

The impact of the terrorist attacks of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general, and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation and Transportation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Act, taking into account any challenges to and interpretations or amendments of the Act or regulations issued pursuant thereto.

In response to the September 11, 2001 terrorist attacks, the Company initiated the following measures: reduced capacity by approximately 20 percent, grounded aircraft and deferred certain aircraft deliveries to future years, significantly reduced capital spending, closed facilities, reduced its workforce (see Note 2 to the consolidated financial statements for additional information) and implemented numerous other cost reduction initiatives.

Operating activities provided net cash of $511 million in 2001, $3.1 billion in 2000 and $2.3 billion in 1999. The $2.6 billion decrease from 2000 to 2001 resulted primarily from a decrease in income.

On April 9, 2001, American purchased substantially all of the assets and assumed certain liabilities of TWA for approximately $742 million, which was funded from the Company's existing cash and short-term investments.

Capital expenditures in 2001 totaled $3.6 billion, compared to $3.7 billion in 2000 and $3.5 billion in 1999. In 2001, American took delivery of 26 Boeing 737-800s, 13 Boeing 777-200ERs and 16 Boeing 757-200s. AMR Eagle took delivery of 15 Embraer 140s, seven Embraer 135s, six Embraer 145s and one Bombardier CRJ-700 aircraft. These expenditures were financed primarily through secured mortgage and debt agreements. Ten Boeing 737-800 aircraft were financed through sale-leaseback transactions, resulting in cash of approximately $352 million being received by the Company. Proceeds from the sale of equipment and property and other investments of $401 million included the proceeds received upon the delivery of five McDonnell Douglas MD-11 aircraft to FedEx.

During the fourth quarter of 2001, the Company reached an agreement with Boeing that included a combination of aircraft delivery deferrals, substitutions and limited additional aircraft orders. As a direct result of the agreement with Boeing, the Company's 2002 and 2003 aircraft commitment amounts have been reduced, in the aggregate, by approximately $700 million. Following this agreement, at December 31, 2001, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 14 Boeing 777-200ERs, nine Boeing 767-300ERs, seven Boeing 757-200s, 124 Embraer regional jets and 24 Bombardier CRJ-700s. Deliveries of all aircraft extend through 2008. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $1.3 billion in 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008. These future payments are net of approximately $470 million related to deposits made for 2002 aircraft deliveries - which have been deferred as part of the agreement with Boeing - that will be applied to future aircraft deliveries. In addition to these commitments for aircraft, the Company expects to spend approximately $500 million in 2002 for modifications to aircraft, renovations of - and additions to - airport and off-airport facilities, and the acquisition of various other equipment and assets.

During 2001, American issued approximately $2.6 billion of enhanced equipment trust certificates which has been recorded as long-term debt. These enhanced equipment trust certificates are secured by aircraft, bear interest at 6.8 percent to 9.1 percent, and mature in 2006 to 2019. Also during 2001, as mentioned above, the Company entered into approximately $1.1 billion of various debt agreements secured by aircraft. Effective rates on these agreements are fixed or variable (based upon the London Interbank Offered Rate (LIBOR) plus a spread), ranging up to approximately 4.5 percent, and mature over various periods of time, ranging from 2007 to 2021.

American has an $834 million credit facility that expires December 15, 2005. At American's option, interest on this facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR. During the fourth quarter of 2001, American amended this credit facility to include, among other items, a revision of its financial covenants, including modifications to its fixed charge covenant and the addition of certain liquidity requirements. The next test of the fixed charge covenant will occur on June 30, 2003 and will consider only the preceding six-month period. American secured the facility with previously unencumbered aircraft. In addition, the facility requires that American maintain at least $1.5 billion of liquidity, as defined in the facility, which consists primarily of cash and short-term investments, and 50 percent of the net book value of its unencumbered aircraft. As of December 31, 2001, $814 million was outstanding under this credit facility, at an interest rate of 5.09 percent. The interest rate on the entire credit facility will be reset on March 18, 2002.

In addition, American has available a $1 billion credit facility that expires September 30, 2002. Interest on this facility is based upon LIBOR plus a spread. This facility is immediately available subject to the Company providing specified aircraft collateral as security at the time of borrowing. At December 31, 2001, no borrowings were outstanding under this facility.

Following the September 11, 2001 events, Standard & Poor's and Moody's downgraded the credit ratings of AMR and American, and the credit ratings of a number of other major airlines. The long-term corporate credit ratings of AMR and American were initially retained on review for possible downgrade by Moody's, and following subsequent downgrades, were given a negative outlook. In addition, the long-term corporate credit ratings of AMR and American remain on Standard & Poor's CreditWatch with negative implications. Any additional reductions in AMR's or American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing sources.

The following table summarizes the Company's obligations and commitments to be paid in 2002 and 2003 (in millions):

Nature of commitment	2002	2003
Operating lease payments for aircraft and facility obligations (*)	$ 1,336	$ 1,276
Firm aircraft commitments	1,300	1,700
Long-term debt (**)	556	296
Capital lease obligations (**)	326	243
Total obligations and commitments	$ 3,518	$ 3,515

(*) Certain special facility revenue bonds issued by municipalities - which are supported by operating leases executed by American - are guaranteed by AMR and American. See Note 6 to the consolidated financial statements for additional information.

(**) Excludes related interest amounts

In addition to the Company's approximately $3.0 billion in cash and short-term investments as of December 31, 2001, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant, which approximates $128 million, (ii) additional secured aircraft debt (as of December 31, 2001, the Company had approximately $4.4 billion net book value of unencumbered aircraft), (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) tax-exempt borrowings for airport facilities, (vi) securitization of future operating receipts, (vii) unsecured borrowings, and (viii) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its financing needs as discussed above.

AMR (principally American) historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

Other Information

Environmental Matters Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity. Additional information is included in Note 5 to the consolidated financial statements.

Critical Accounting Policies and Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements: accounting for long-lived assets, passenger revenue, frequent flyer accounting, and pensions and other postretirement benefits.

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Accounting for Long-Lived Assets - The Company has approximately $21 billion of long-lived assets as of December 31, 2001, including approximately $19 billion related to flight equipment and related fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives, salvage values and in 2001, impairment charges. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values. During 2001, the Company determined its Fokker 100, Saab 340 and ATR 42 aircraft and related rotables were impaired under SFAS 121 and recorded impairment charges of approximately $1.1 billion. In addition, during the fourth quarter of 2001, the Company completed an impairment analysis of its long-lived assets, including aircraft fleets, route acquisition costs, airport operating and gate lease rights, and goodwill. The impairment analysis did not result in any additional impairment charges. See Notes 1 and 2 to the consolidated financial statements for additional information with respect to each of the policies and assumptions utilized by the Company which affect the recorded values of long-lived assets. A

Passenger revenue - Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience. Due to the uncertainties surrounding the impact of the September 11, 2001 events on the Company's business (see Note 2 to the consolidated financial statements) and the acquisition of TWA in April 2001 (see Note 3 to the consolidated financial statements), historical trends may not be representative of future results.

Frequent flyer accounting - The Company utilizes a number of estimates in accounting for its AAdvantage frequent flyer program. Additional information regarding the Company's AAdvantage frequent flyer program is included in Item 1 - Business (pages 10 and 11) and Note 1 to the consolidated financial statements. Changes to the percentage of the amount of revenue deferred, deferred recognition period, cost per mile estimates or the minimum award level accrued could have a significant impact on the Company's revenues or incremental cost accrual in the year of the change as well as in future years. In addition, the Emerging Issues Task Force of the Financial Accounting Standards Board is currently reviewing the accounting for both multiple-deliverable revenue arrangements and volume-based sales incentive offers, but has not yet reached a consensus that would apply to programs such as the AAdvantage program. The issuance of new accounting standards could have a significant impact on the Company's frequent flyer liability in the year of the change as well as in future years.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See Note 8 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by utilizing jet fuel, heating oil, and crude swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2001 and 2000 cost per gallon of fuel. Based on projected 2002 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $169 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2001 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $194 million in 2001, net of fuel hedge instruments outstanding at December 31, 2000. The change in market risk is due primarily to the decrease in fuel prices. As of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements, approximately 21 percent of its estimated 2003 fuel requirements, and approximately five percent of its estimated 2004 fuel requirements, compared to approximately 40 percent of its estimated 2001 fuel requirements, 15 percent of its estimated 2002 fuel requirements, and approximately seven percent of its estimated 2003 fuel requirements hedged at December 31, 2000.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company uses options to hedge a portion of its anticipated foreign currency-denominated ticket sales. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2001 and 2000 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $40 million and $33 million for the years ending December 31, 2002 and 2001, respectively, net of hedge instruments outstanding at December 31, 2001 and 2000, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2002 and 2001 foreign currency-denominated revenues and expenses as of December 31, 2001 and 2000.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 35 percent and 29 percent of its total long-term debt at December 31, 2001 and 2000, respectively, and interest rate swaps on notional amounts of approximately $148 million and $158 million, respectively, at December 31, 2001 and 2000. If interest rates average 10 percent more in 2002 than they did at December 31, 2001, the Company's interest expense would increase by approximately $10 million and interest income from cash and short-term investments would increase by approximately $16 million. In comparison, at December 31, 2000, the Company estimated that if interest rates averaged 10 percent more in 2001 than they did at December 31, 2000, the Company's interest expense would have increased by approximately $11 million and interest income from cash and short-term investments would have increased by approximately $15 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2001 and 2000.

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		1997	1998	1999	2000	2001
Earnings:						
Earnings (loss) from continuing operations before income taxes and extraordinary loss	A	$ 1,336	$ 1,833	$ 1,006	$ 1,287	$ (2,756)
Add: Total fixed charges (per below)	E	1,166	1,117	1,227	1,313	1,618
Less: Interest capitalized	A	20	104	118	151	144
Total earnings (loss)		$ 2,482	$ 2,846	$ 2,115	$ 2,449	$ (1,282)
Fixed charges:						
Interest	C	$ 420	$ 369	$ 383	$ 450	$ 515
Portion on rental expense representative of the interest factor	G	744	743	832	844	1,076
Amortization of debt expense	C	2	5	12	19	27
Total fixed charges		$ 1,166	$ 1,117	$ 1,227	$ 1,313	$ 1,618
Ratio of earnings to fixed charges		2.13	2.55	1.72	1.87	-
Coverage deficiency	E	-	-	-	-	$ 2,900

Exhibit C

PART I

ITEM 1. BUSINESS

American Airlines, Inc., the principal subsidiary of AMR Corporation (AMR), was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, Inc., including TWA (collectively, American or the Company), is the largest scheduled passenger airline in the world. At the end of 2001, American provided scheduled jet service to more than 161 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system.

On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines (United) aircraft were also hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 18,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Act), which for all U.S. airlines and air cargo carriers (collectively, air carriers) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the attacks, of which the Company has received approximately $703 million as of December 31, 2001 and expects to receive additional payments in 2002 aggregating approximately $124 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expires 180 days after the enactment of the Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier. A

On November 12, 2001, American Airlines Flight 587 crashed shortly after take-off from John F. Kennedy International Airport en route to Santo Domingo in the Dominican Republic. In addition to the loss of life on board the aircraft, there were several fatalities and injuries to persons on the ground as well as property damage. The National Transportation Safety Board is currently investigating the accident; a cause has yet to be determined. As a result of the accident, claims have been made against American. It is anticipated these claims will be covered under American's insurance policies.

Competition

Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United also have hub operations at DFW and Chicago O'Hare, respectively.

The American Eagle carriers, owned by AMR Eagle Holding Corporation, an AMR subsidiary, increase the number of markets American serves by providing connections at American's hubs and certain other major airports. The American Eagle carriers serve smaller markets through Boston, DFW, Chicago, Miami, San Juan, Los Angeles and New York's LaGuardia and John F. Kennedy International Airports. In addition, American contracts with three independently owned regional airlines which do business as the "American Connection" to provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide service at their major hubs.

In addition to its extensive domestic service, the Company provides international service to the Caribbean, the Bahamas, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 29 percent in 2001 and 31 percent in 2000 and 1999 of the Company's total operating revenues. Additional information about the Company's foreign operations is included in Note 14 to the consolidated financial statements.

E

The domestic airline industry is fiercely competitive. Currently, any air carrier deemed fit by the U.S. Department of Transportation (DOT) is free to operate scheduled passenger service between any two points within the U.S. and its possessions. On most of its domestic non-stop routes, the Company faces competing service from at least one, and sometimes more than one, major domestic airline including: Alaska Airlines, America West Airlines, Continental Airlines (Continental), Delta, Northwest Airlines (Northwest), Southwest Airlines, United and US Airways, and their affiliated regional carriers. Competition is even greater between cities that require a connection, where all nine major airlines may compete via their respective hubs. The Company also competes with national, regional, all-cargo and charter carriers and, particularly on shorter segments, ground transportation. In addition, on all of its routes, pricing decisions are affected, in part, by competition from other airlines, some of which have cost structures significantly lower than the Company's and can therefore operate profitably at lower fare levels.

The majority of the tickets for travel on American are sold by travel agents. Domestic travel agents generally receive a base commission of five percent of the price of the tickets they sell. This amount is capped by the Company at a maximum of $20 for a domestic roundtrip itinerary and $100 for an international roundtrip itinerary. Airlines often pay additional commissions in connection with special revenue programs. Accordingly, airlines compete not only with respect to the price of the tickets sold but also with respect to the amount of commissions paid.

The growing use of electronic distribution systems provides the Company with an ever-increasing ability to lower its distribution costs. The Company continues to expand the capabilities of its Internet website - AA.com - and the use of electronic ticketing throughout the Company's network. In addition, the Company has entered into various agreements with several Internet travel providers, including Travelocity.com, Expedia, priceline.com, Orbitz and Hotwire. The base commission for sales through Internet travel providers is lower than traditional travel agencies.

Labor

The airline business is labor intensive. Wages, salaries and benefits represented approximately 38 percent of the Company's consolidated operating expenses for the year ended December 31, 2001. E

The majority of the Company's employees are represented by labor unions and covered by collective bargaining agreements. The Company's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among American and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. If no agreement is reached in mediation, the NMB may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of workers to replace strikers.

American reached a new contract with the Association of Professional Flight Attendants (APFA) during 2001. The new contract becomes amendable on November 30, 2004.

American reached new agreements with the Transport Workers Union (TWU) during 2001 concerning the eight employee groups represented by the TWU. The new agreements become amendable on March 1, 2004.

In 2001, American commenced negotiations with the Allied Pilots Association (APA). The APA agreement became amendable August 31, 2001.

In addition, a provision under the current APA contract further limits the number of available seat miles (ASMs) and block hours flown by American's regional carriers when pilots from American are on furlough. American Eagle continues to accept previously ordered regional jets. This will cause the ASM cap to be reached in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision.

The portions of the Company's work force which are non-union have already largely incorporated their counterparts from TWA. With respect to the integration of the unionized portions of the work forces at American and TWA, the Company engaged facilitators to work with American's and TWA's unions in attempting to achieve integration agreements acceptable to all unions. Unfortunately, these discussions were unable to produce agreements acceptable to both unions as to each class or craft. American later reached integration agreements with the APA (with respect to pilot integration issues) and the APFA (with respect to flight attendant integration issues). Discussions with the TWU did not result in an agreement on integration of the eight work groups represented at American by the TWU. However, American and the TWU will be participating in arbitration with respect to certain integration issues in late February and early March 2002. The International Association of Machinists, which represents certain work groups at TWA, will be participating as well. The details of the arbitration agreement are still being worked out. Currently, the NMB is considering a petition asking that it declare American and TWA a single carrier for labor relations purposes and the representation effects of such a ruling (a single carrier ruling is believed likely to occur). It is expected that the NMB will most likely designate American's incumbent unions as the collective bargaining representatives of the combined work groups once a single carrier is found to exist. The integration of the unionized work groups will thereafter follow in a schedule worked out between American and the relevant unions.

Fuel

The Company's operations are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 1999 through 2001 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Average Cost Per Gallon, Excluding Fuel Taxes (in cents)	Percent of American's Operating Expenses
1999	2,957	$ 1,622	54.8	50.1	10.6
2000	3,045	2,372	77.9	72.3	14.1
2001	3,294	2,744 *	81.2 *	76.0 *	13.9

A A E

* The amounts for 2001 reflect the January 1, 2001 adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133); the 2000 and 1999 amounts do not. See a further discussion of the impact of SFAS 133 to the Company in Note 9 to the consolidated financial statements.

The impact of fuel price changes on the Company and its competitors is dependent upon various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices, which has had the effect of reducing the Company's average cost per gallon. During 2001 and 2000, the Company's fuel hedging program reduced the Company's fuel expense by approximately $27 million and $517 million, respectively. To reduce the impact of potential fuel price increases in 2002, as of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements. Based on projected fuel usage, the Company estimates that a 10 percent increase in the price per gallon of fuel would result in an increase to aircraft fuel expense of approximately $159 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001. Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, any potential benefit of lower fuel prices may be offset by increased fare competition and lower revenues for all air carriers.

A A

While the Company does not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there was an outbreak of hostilities or other conflicts in oil producing areas, there could be reductions in the production and/or importation of crude oil. If there were major reductions in the availability of jet fuel, the Company's business would be adversely affected.

Additional information regarding the Company's fuel program is included in Item 7(A) – Quantitative and Qualitative Disclosures about Market Risk and in Note 9 to the consolidated financial statements.

Frequent Flyer Program

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits and related services to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time without notice. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months' notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one year after issuance. Most travel awards are subject to capacity controlled seating. In 1999, certain changes were made to the AAdvantage program so that miles do not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American utilizes the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and such award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. These estimates are based upon the Company's 12-month historical average of such costs. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs.

Revenue earned from selling AAdvantage miles to other companies participating in American's frequent flyer program is recognized in two components. The first component represents the revenue for air transportation sold and is valued at current market rates. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized immediately.

In conjunction with the acquisition of TWA's assets (see Note 3 to the consolidated financial statements), members of TWA's Aviators frequent flyer program (Aviators) were eligible to transfer the unused mileage balances in their Aviators account to the AAdvantage program. As part of the purchase price allocation of TWA, the Company established a liability related to the incremental cost of the unused mileage balances in the Aviator's program. Effective November 30, 2001, Aviator's was discontinued and its members have until November 30, 2002 to exchange their Aviators' miles for AAdvantage miles. The Company does not expect the future transfer of Aviators' miles into the AAdvantage program to be material.

At December 31, 2001 and 2000, American estimated that approximately 8.7 million and 6.5 million free travel awards, respectively, were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, American has included the Aviators' miles and excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which are not expected to ever be redeemed for free travel on American. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel on American or other participating airlines and deferred revenues for mileage credits sold to others participating in the program was approximately $1.1 billion and $976 million, representing 15.6 percent and 14.4 percent of the Company's total current liabilities, at December 31, 2001 and 2000, respectively.

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The estimated number of free travel awards used for travel on American and American Eagle (excluding TWA) was 2.7 million in 2001, 2.8 million in 2000 and 2.7 million in 1999, representing approximately 7.4 percent of total passengers boarded in 2001, 7 percent in 2000 and 8 percent in 1999 (excluding TWA). The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

American Airlines, Inc. is a wholly-owned subsidiary of AMR Corporation and there is no market for the Registrant's Common Stock.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(a) of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Abbreviated pursuant to General Instruction I(2)(a) of Form 10-K).

American Airlines, Inc., the principal subsidiary of AMR Corporation (AMR), was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA since the date of acquisition have been included in the accompanying consolidated financial statements for the year ended December 31, 2001 (see Note 3 to the consolidated financial statements). American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world.

Results of Operations

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The Company's net loss in 2001 was $1.6 billion compared to net earnings of $778 million in 2000. On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft were also hijacked and used in terrorist attacks. In response to the terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. Somewhat offsetting the impact of the September 11 events, the Company recorded $827 million in reimbursement from the U.S. Government under the Air Transportation Safety and System Stabilization Act (the Act) (see Note 2 to the consolidated financial statements).

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REVENUES

2001 Compared to 2000 The Company's 2001 revenues, yield, revenue passenger miles and available seat miles (ASMs) were severely impacted by the September 11, 2001 terrorist attacks, the Company's reduced operating schedule, a worsening of the U.S. economy that had already been dampening the demand for travel both domestically and internationally prior to the September 11, 2001 events, business travel declines as a result of the September 11, 2001 attacks, and increased fare sale activity occurring subsequent to the September 11 attacks to encourage passengers to resume flying. The Company's revenues decreased approximately $633 million, or 3.5 percent, versus 2000. However, excluding TWA's revenues for the period April 10, 2001 through December 31, 2001, the Company's revenues would have decreased approximately $2.5 billion versus 2000.

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For comparability purposes, the following discussion does not combine American's and TWA's results of operations or related statistics for 2001. American's passenger revenues decreased by 14 percent or $2.3 billion. In 2001, American derived approximately 68 percent of its passenger revenues from domestic operations and approximately 32 percent from international operations. American's domestic revenue per available seat mile (RASM) decreased 11.3 percent, to 9.28 cents, on a capacity decrease of 5 percent, or 104 billion ASMs. International RASM decreased to 9.07 cents, or 5.2 percent, on a capacity decrease of 4.9 percent. The decrease in international RASM was led by an 11.8 percent and 10.8 percent decrease in Pacific and European RASM, respectively, slightly offset by a 0.9 percent increase in Latin American RASM. The decrease in international capacity was driven by a 6.5 percent and 4.7 percent reduction in Latin American and European ASMs, respectively, partially offset by an increase in Pacific capacity of 2.8 percent.

TWA's passenger revenues were approximately $1.7 billion for the period April 10, 2001 through December 31, 2001. TWA's RASM was 7.74 cents on capacity of 21.7 billion ASMs.

Cargo revenues decreased 8.1 percent, or $58 million, due primarily to the September 11, 2001 terrorist attacks and a worsening of the U.S. economy that had already been dampening the demand for air travel prior to that date.

OPERATING EXPENSES

2001 Compared to 2000 The Company's operating expenses increased 17.1 percent, or approximately $2.9 billion. However, excluding TWA's expenses for the period April 10, 2001 through December 31, 2001, the Company's expenses would have increased approximately $662 million versus 2000. In addition to the specific explanations provided below, the significant decline in passenger traffic resulting from the terrorist acts of September 11, 2001 and resulting reduced operating schedule caused a favorable impact on certain passenger-related operating expenses, including aircraft fuel, other rentals and landing fees, commissions to agents and food service. American's cost per ASM increased 6.3 percent to 11.14 cents, excluding TWA and the impact of special charges - net of U.S. Government grant. The increase in American's cost per ASM was driven partially by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 3.3 percent, excluding TWA and the impact of special charges - net of U.S. Government grant. TWA's cost per ASM, excluding the impact of special charges - net of U.S. Government grant, was 10.58 cents. Wages, salaries and benefits increased 19.1 percent, or $1.2 billion, and included approximately $920 million related to the addition of TWA. The remaining increase of approximately $292 million related primarily to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. During 2001, the Company recorded approximately $300 million in additional wages, salaries and benefits related primarily to the Company's new contracts with its flight attendants and Transport Workers Union work groups. This was mostly offset by a $341 million decrease in the provision for profit-sharing as compared to 2000. Aircraft fuel expense increased 15.7 percent, or $372 million, and included approximately $322 million related to the addition of TWA. The remaining increase in aircraft fuel expense was due to a 4.2 percent increase in the Company's average price per gallon, partially offset by a 4.4 percent decrease in the Company's fuel consumption, excluding TWA. Depreciation and amortization expense increased 17.7 percent, or $189 million, due primarily to the addition of new aircraft and an increase of approximately $88 million related to TWA. Other rentals and landing fees increased $194 million, or 21.1 percent, and included approximately $130 million related to the addition of TWA. The remaining increase of $64 million was due primarily to higher facilities rent and landing fees across American's system. Aircraft rentals increased $238 million, or 42.4 percent, due primarily to the addition of TWA aircraft. Commissions to agents decreased 19.2 percent, or $187 million, and included approximately $59 million related to TWA. The decrease in commissions to agents was due primarily to an approximate 14 percent decrease in passenger revenues, excluding TWA, and the benefit from commission structure changes implemented in 2000. Other operating expenses increased 12.3 percent, or $364 million, and included approximately $358 million related to TWA. Special charges – net of U.S. Government grant included: (i) a $586 million asset impairment charge recorded in the second quarter of 2001 related to the write-down of the carrying value of the Company's Fokker 100 aircraft and related rotables, (ii) charges resulting from the September 11, 2001 terrorist events, including approximately $439 million related to aircraft charges, $114 million in facility exit costs, $69 million in employee charges and $40 million in other charges, and (iii) an $827 million benefit recognized for the reimbursement from the U.S. Government under the Act. See a further discussion of special charges – net of U.S. Government grant in Note 2 to the consolidated financial statements.

OTHER INCOME (EXPENSE)

2001 Compared to 2000 Interest income decreased $49 million, or 35.5 percent, resulting from lower investment balances throughout most of 2001. Interest expense increased $98 million, or 34.9 percent, resulting primarily from the increase in long-term debt of approximately $4.2 billion. Related party interest – net decreased $34 million due primarily to higher affiliate intercompany balances with American throughout most of the year. Miscellaneous – net decreased $24 million due primarily to 2001 including a $45 million gain from the settlement of a legal matter related to the Company's 1999 labor disruption, offset by the write-down of certain investments held by the Company. This compares to 2000 including a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated common stock.

Other Information

The impact of the terrorist attacks of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general, and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation and Transportation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Act, taking into account any challenges to and interpretations or amendments of the Act or regulations issued pursuant thereto.

In response to the September 11, 2001 terrorist attacks, the Company initiated the following measures: reduced capacity by approximately 20 percent, grounded aircraft and deferred certain aircraft deliveries to future years, significantly reduced capital spending, closed facilities, reduced its workforce (see Note 2 to the consolidated financial statements for additional information) and implemented numerous other cost reduction initiatives.

During the fourth quarter of 2001, the Company reached an agreement with Boeing that included a combination of aircraft delivery deferrals, substitutions and limited additional aircraft orders. As a direct result of the agreement with Boeing, the Company's 2002 and 2003 aircraft commitment amounts have been reduced, in the aggregate, by approximately $700 million. Following this agreement at December 31, 2001, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 14 Boeing 777-200ERs, nine Boeing 767-300ERs and seven Boeing 757-200s. Deliveries of all aircraft extend through 2008. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $650 million in 2002, $1.0 billion in 2003, $500 million in 2004 and an aggregate of approximately $1.3 billion in 2005 through 2008. These future payments are net of approximately $470 million related to deposits made for 2002 aircraft deliveries - which have been deferred as part of the agreement with Boeing - that will be applied to future aircraft deliveries. In addition to these commitments for aircraft, the Company expects to spend approximately $500 million in 2002 for modifications to aircraft, renovations of - and additions to - airport and off-airport facilities, and the acquisition of various other equipment and assets.

During 2001, American issued approximately $2.6 billion of enhanced equipment trust certificates which has been recorded as long-term debt. These enhanced equipment trust certificates are secured by aircraft, bear interest at 6.8 percent to 9.1 percent, and mature in 2006 to 2019. Also during 2001, the Company entered into approximately $773 million of various debt agreements secured by aircraft. Effective rates on these agreements are fixed or variable (based upon the London Interbank Offered Rate (LIBOR) plus a spread), ranging up to approximately 4.5 percent and mature over various periods of time, ranging from 2007 to 2021.

American has an $834 million credit facility that expires December 15, 2005. At American's option, interest on this facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR. During the fourth quarter of 2001, American amended this credit facility to include, among other items, a revision of its financial covenants, including modifications to its fixed charge covenant and the addition of certain liquidity requirements. The next test of the fixed charge covenant will occur on June 30, 2003 and will consider only the preceding six-month period. American secured the facility with previously unencumbered aircraft. In addition, the facility requires that American maintain at least $1.5 billion of liquidity, as defined in the facility, which consists primarily of cash and short-term investments, and 50 percent of the net book value of its unencumbered aircraft. As of December 31, 2001, $814 million was outstanding under this credit facility, at an interest rate of 5.09 percent. The interest rate on the entire credit facility will be reset on March 18, 2002.

In addition, American has available a $1 billion credit facility that expires September 30, 2002. Interest on this facility is based upon LIBOR plus a spread. This facility is immediately available subject to the Company providing specified aircraft collateral as security at the time of borrowing. At December 31, 2001, no borrowings were outstanding under this facility.

Following the September 11, 2001 events, Standard & Poor's and Moody's downgraded the credit ratings of American, and the credit ratings of a number of other major airlines. The long-term corporate credit ratings of American were initially retained on review for possible downgrade by Moody's, and following subsequent downgrades, were given a negative outlook. In addition, the long-term corporate credit ratings of American remain on Standard & Poor's CreditWatch with negative implications. Any additional reductions in American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing sources.

The following table summarizes the Company's obligations and commitments to be paid in 2002 and 2003 (in millions):

Nature of commitment	2002	2003
Operating lease payments for aircraft and facility obligations (*)	$ 1,314	$ 1,256
Firm aircraft commitments	650	1,000
Long-term debt (**)	421	212
Capital lease obligations (**)	288	205
Total obligations and commitments	$ 2,673	$ 2,673

(*) Certain special facility revenue bonds issued by municipalities - which are supported by operating leases executed by American - are guaranteed by AMR and American. See Note 7 to the consolidated financial statements for additional information.

(**) Excludes related interest amounts

In addition to the Company's approximately $3.0 billion in cash and short-term investments as of December 31, 2001, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant, which approximates $124 million, (ii) additional secured aircraft debt (as of December 31, 2001, the Company had approximately $4.4 billion net book value of unencumbered aircraft), (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) tax-exempt borrowings for airport facilities, (vi) securitization of future operating receipts, (vii) unsecured borrowings, and (viii) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its financing needs as discussed above.

Working Capital American historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

Environmental Matters American has been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. American's alleged volumetric contributions at these sites are minimal. American does not expect these matters, individually or collectively, to have a significant impact on its results of operations, financial position or liquidity. Additional information is included in Note 6 to the consolidated financial statements.

Capital contribution from AMR During 2001, the Board of Directors of AMR approved the capital contribution of $1.5 billion from AMR to American.

Critical Accounting Policies and Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements: accounting for long-lived assets, passenger revenue, frequent flyer accounting, and pensions and other postretirement benefits.

Accounting for Long-Lived Assets - The Company has approximately $19 billion of long-lived assets as of December 31, 2001, including approximately $17 billion related to flight equipment and related fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives, salvage values and in 2001, impairment charges. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values. During 2001, the Company determined its Fokker 100 aircraft and related rotables were impaired under SFAS 121 and recorded impairment charges of approximately $911 million. In addition, during the fourth quarter of 2001, the Company completed an impairment analysis of its long-lived assets, including aircraft fleets, route acquisition costs, airport operating and gate lease rights, and goodwill. The impairment analysis did not result in any additional impairment charges. See Notes 1 and 2 to the consolidated financial statements for additional information with respect to each of the policies and assumptions utilized by the Company which affect the recorded values of long-lived assets.

Passenger revenue - Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience. Due to the uncertainties surrounding the impact of the September 11, 2001 events on the Company's business (see Note 2 to the consolidated financial statements) and the acquisition of TWA in April 2001 (see Note 3 to the consolidated financial statements), historical trends may not be representative of future results.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See Note 9 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by utilizing jet fuel, heating oil, and crude swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2001 and 2000 cost per gallon of fuel. Based on projected 2002 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $159 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2001 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $183 million in 2001, net of fuel hedge instruments outstanding at December 31, 2000. The change in market risk is due primarily to the decrease in fuel prices. As of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements, approximately 21 percent of its estimated 2003 fuel requirements, and approximately five percent of its estimated 2004 fuel requirements, compared to approximately 40 percent of its estimated 2001 fuel requirements, 15 percent of its estimated 2002 fuel requirements, and approximately seven percent of its estimated 2003 fuel requirements hedged at December 31, 2000.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company uses options to hedge a portion of its anticipated foreign currency-denominated ticket sales. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2001 and 2000 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $40 million and $33 million for the years ending December 31, 2002 and 2001, respectively, net of hedge instruments outstanding at December 31, 2001 and 2000, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2002 and 2001 foreign currency-denominated revenues and expenses as of December 31, 2001 and 2000.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 45 percent and 51 percent of its total long-term debt at December 31, 2001 and 2000, respectively, and interest rate swaps on notional amounts of approximately $148 million and $158 million, respectively, at December 31, 2001 and 2000. If interest rates average 10 percent more in 2002 than they did at December 31, 2001, the Company's interest expense would increase by approximately $10 million and interest income from cash and short-term investments would increase by approximately $16 million. In comparison, at December 31, 2000, the Company estimated that if interest rates averaged 10 percent more in 2001 than they did at December 31, 2000, the Company's interest expense would have increased by approximately $11 million and interest income from cash and short-term investments would have increased by approximately $11 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2001 and 2000.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	1997	1998	1999	2000	2001
Earnings:					
Earnings (loss) from continuing operations before income taxes and extraordinary loss	$ 1,287	$ 1,745	$ 1,054	$ 1,282	$ (2,449)
Add: Total fixed charges (per below)	995	906	989	1,068	1,435
Less: Interest capitalized	19	97	111	143	135
Total earnings	$ 2,263	$ 2,554	$ 1,932	$ 2,207	$ (1,149)
Fixed charges:					
Interest	$ 297	$ 208	$ 215	$ 281	$ 406
Portion on rental expense representative of the interest factor	697	697	773	785	1,025
Amortization of debt expense	1	1	1	2	4
Total fixed charges	$ 995	$ 906	$ 989	$ 1,068	$ 1,435
Ratio of earnings to fixed charges	2.27	2.82	1.95	2.07	-
Coverage deficiency	-	-	-	-	$ 2,584

Note: In April 2001, the Board of Directors of American approved the guarantee by American of ~~AMR's existing~~ debt obligations. As of December ~~31, 2001,~~ this guarantee covered approximately $676 million of unsecured debt and approximately $573 million of secured debt. The impact of these unconditional guarantees is not included in the above computation.

Exhibit D

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2002 and 2001

Summary AMR Corporation's (AMR or the Company) **net loss** during the first quarter of 2002 was $575 million, or $3.71 per share, as compared to a net loss of $43 million, or $0.28 per share for the same period in 2001. AMR's **operating loss** of $729 million increased $725 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. (a wholly owned subsidiary of AMR) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three-month period ended March 31, 2001. All references to American Airlines, Inc. include TWA (collectively, American).

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's first quarter 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown -- seen largely in business travel declines -- and an increase in fare sale activity. In total, the Company's **revenues** decreased $624 million or 13.1 percent, in the first quarter of 2002 from the same period last year. American's **passenger revenues** decreased by 11.5 percent or $451 million in the first three months of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 15.4 percent, to 8.7 cents, on a capacity increase of 9.4 percent, to 29.3 billion available seat miles (ASMs). International RASM decreased to 8.66 cents, or 10.6 percent, on a capacity decrease of 11.4 percent. The decrease in international RASM was due to a 14.1 percent decrease and 11.9 percent decrease in European and Latin American RASM, respectively, slightly offset by a 9 percent increase in Pacific RASM. The decrease in international capacity was driven by a 39.5 percent, 13.9 percent and 4 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 13.8 percent, or $49 million. AMR Eagle's traffic increased 6.9 percent while capacity decreased 1.3 percent, to approximately 1.6 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $42 million, or 23.9 percent, for the same reasons as noted above.

Other revenues decreased 27.8 percent, or $82 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

The Company's **operating expenses** increased 2.1 percent, or $101 million. American's cost per ASM increased 0.4 percent to 11.30 cents. **Wages, salaries and benefits** increased 19.1 percent, or $334 million, primarily due to contractual wage rate and seniority increases that are built into the Company's labor contracts. In addition, the Company experienced increases in its pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 25.5 percent, or $180 million due primarily to a 23.3 percent decrease in the Company's average price per gallon of fuel. **Other rentals and landing fees** increased 12.5 percent, or $32 million, due to higher facilities rent and landing fees across American's system. **Aircraft rentals** increased $78 million, or 52.7 percent, due primarily to the addition of TWA aircraft. **Commissions to agents** decreased 28.1 percent, or $63 million, due primarily to an 11.7 percent decrease in passenger revenues and a decrease in the percentage of commissionable transactions. **Other operating expenses** decreased 11 percent, or $100 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and credit card fees, which were partially offset by higher insurance and security costs.

Other income (expense), historically a net expense, increased $81 million due to the following: **Interest income** decreased 55 percent, or $22 million, due primarily to decreases in interest rates. **Interest expense** increased $47 million, or 39.5 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $19 million, or 46.3 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased 46.7 percent, or $7 million, due to the write-down of certain investments held by the Company during the first quarter of 2001.

The effective tax rate for the three months ended March 31, 2002 was impacted by a $27 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did, however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used for operating activities in the three-month period ended March 31, 2002 was $406 million, an increase of $425 million over the same period in 2001, due primarily to an increase in the Company's net loss. Capital expenditures for the first three months of 2002 were $619 million, and included the acquisition of six Boeing 757-200s, two Boeing 777-200ERs, seven Embraer 140s and two Bombardier CRJ-700 aircraft. These capital expenditures were financed primarily through secured mortgage and debt agreements.

As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs, one Boeing 757-200, 117 Embraer regional jets and 22 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $825 million during the remainder of 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008.

OTHER INFORMATION

In addition to the Company's approximately $2.3 billion in cash and short-term investments as of March 31, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $100 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks (in April 2002, the Company received approximately $393 million related to the utilization of its remaining 2001 NOL), (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, (viii) unsecured borrowings, and (ix) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until May 19, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association contract further limits the number of ASMs and block hours flown by American's regional carrier partners when American pilots are on furlough. As AMR Eagle continues to accept previously ordered regional jets, this will cause the ASM cap to be reached sometime in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition,

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended March 31,	
	2002	2001
Earnings (loss):		
Loss before income taxes	$ (863) B	$ (57) B
Add: Total fixed charges (per below)	440 E	332 E
Less: Interest capitalized	22 B	41 B
Total earnings (loss)	$ (445) E	$ 234 E
Fixed charges:		
Interest	$ 160 C	$ 114 C
Portion of rental expense representative of the interest factor	272 G	212 G
Amortization of debt expense	8 C	6 C
Total fixed charges	$ 440 E	$ 332 E
Coverage deficiency	$ 885 E	$ 98 E

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2002 and 2001

Summary American Airlines, Inc. (a wholly owned subsidiary of AMR Corporation) recorded a **net loss** for the three months ended March 31, 2002 of $542 million. This compares to a net loss of $34 million for the first quarter of 2001. American Airlines, Inc. **operating loss** of $722 million increased $710 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three-month period ended March 31, 2001. All references to American Airlines, Inc. include TWA (collectively, American or the Company).

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's first quarter 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown -- seen largely in business travel declines-- and an increase in fare sale activity. In total, the Company's **revenues** decreased $570 million, or 13 percent, in the first quarter of 2002 from the same period last year. American's **passenger revenues** decreased by 11.5 percent, or $451 million in the first three months of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 15.4 percent, to 8.7 cents, on a capacity increase of 9.4 percent, to 29.3 billion available seat miles (ASMs). International RASM decreased to 8.66 cents, or 10.6 percent, on a capacity decrease of 11.4 percent. The decrease in international RASM was due to a 14.1 percent decrease and 11.9 percent decrease in European and Latin American RASM, respectively, slightly offset by a 9 percent increase in Pacific RASM. The decrease in international capacity was driven by a 39.5 percent, 13.9 percent and 4 percent reduction in Pacific, European and Latin American ASMs, respectively.

Cargo **revenues** decreased $41 million, or 23.6 percent, due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Other revenues decreased 29 percent, or $78 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

The Company's **operating expenses** increased 3.2 percent, or $140 million. American's cost per ASM increased 0.4 percent to 11.30 cents. **Wages, salaries and benefits** increased 20.8 percent, or $340 million, primarily due to contractual wage rate and seniority increases that are built into the Company's labor contracts. In addition, the Company experienced increases in its pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 25.8 percent, or $173 million, due primarily to a 23.3 percent decrease in the Company's average price per gallon of fuel. **Other rentals and landing fees** increased 13.6 percent, or $32 million, due to higher facilities rent and landing fees across American's system. **Aircraft rentals** increased $79 million or 56.4 percent, due primarily to the addition of TWA aircraft. **Commissions to agents** decreased 28.8 percent, or $61 million, due primarily to an 11.5 percent decrease in passenger revenues and a decrease in the percentage of commissionable transactions. **Other operating expenses** decreased 10.8 percent, or $87 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and credit card fees, which were partially offset by higher insurance and security costs.

Other income (expense), historically a net expense, increased $60 million due to the following: **Interest income** decreased 18.2 percent, or $4 million, due primarily to decreases in interest rates. **Interest expense** increased $51 million, or 67.1 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $19 million, or 48.7 percent, due primarily to a decrease in purchase deposits for flight equipment. **Related party interest – net** decreased $16 million due primarily to higher receivable balances from affiliated entities versus the first quarter of 2001.

The effective tax rate for the three months ended March 31, 2002 was impacted by a $27 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did, however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to exist before being utilized by the Company, resulting in this charge.

AIRCRAFT INFORMATION

As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs and one Boeing 757-200 aircraft. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $375 million during the remainder of 2002, $1 billion in 2003, $500 million in 2004 and an aggregate of approximately $1.3 billion in 2005 through 2008.

OTHER INFORMATION

In addition to the Company's approximately $2.3 billion in cash and short-term investments as of March 31, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $100 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks (in April 2002, AMR Corporation received approximately $393 million related to the utilization of its remaining 2001 NOL), (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, (viii) unsecured borrowings, and (ix) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until May 19, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association contract further limits the number of ASMs and block hours flown by American's regional carrier partners when American pilots are on furlough. As AMR Eagle continues to accept previously ordered regional jets, this will cause the ASM cap to be reached sometime in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in AMR Corporation's 2001 Form 10-K. In addition, American is removing its code from flights of the American Connection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of all these actions will enable it to comply with the ASM cap through 2002 and for sometime beyond.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended March 31,	
	2002	2001
Earnings (loss):		
Loss before income taxes	$ (814) B	$ (44) B
Add: Total fixed charges (per below)	388 E	286 E
Less: Interest capitalized	20 B	39 B
Total earnings (loss)	$ (446) E	$ 203 E
Fixed charges:		
Interest	$ 127 C	$ 87 C
Portion of rental expense representative of the interest factor	260 G	198 G
Amortization of debt expense	1 C	1 C
Total fixed charges	$ 388 E	$ 286 E
Coverage deficiency	$ 834 E	$ 83 E

Note: In April 2001, the Board of Directors of American approved the guarantee by ~~American of~~ AMR's existing debt obligations. As ~~of March 31, 2002~~, this guarantee covered approximately $634 million of unsecured debt and approximately $573 million of secured debt. The impact of these ~~unconditional~~ guarantees is not included in the above computation.

D

Exhibit F

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended June 30, 2002 and 2001

Summary AMR Corporation's (AMR or the Company) **net loss** during the second quarter of 2002 was $495 million, or $3.19 per share, as compared to a net loss of $507 million, or $3.29 per share for the same period in 2001. AMR's **operating loss** of $601 million decreased by $159 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, Trans World Airlines LLC (TWA LLC, a wholly owned subsidiary of AMR) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the three month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. All references to American Airlines, Inc. include the operations of TWA LLC since April 10, 2001 (collectively, American). AMR's second quarter 2001 results include: (i) a $685 million charge ($430 million after-tax, or $2.79 per share) related to the writedown of the carrying value of its Fokker 100, Saab 340 and ATR-42 aircraft and related rotables in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (see footnote 8 to the condensed consolidated financial statements), and (ii) a $45 million gain ($29 million after-tax, or $0.19 per share) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's second quarter 2002 revenues were down significantly quarter-over-quarter. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,104 million, or 19.8 percent, in the second quarter of 2002 as compared to the same period last year. American's **passenger revenues** decreased by 19.3 percent, or $898 million in the second quarter of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 11.9 percent, to 8.47 cents, on a capacity decrease of 8 percent, to 32 billion available seat miles (ASMs). International RASM decreased to 8.67 cents, or 5 percent, on a capacity decrease of 16.2 percent. The decrease in international RASM was due to an 8.6 percent and 3.1 percent decrease in Latin American and European RASM, respectively, slightly offset by a 3.2 percent increase in Pacific RASM. The decrease in international capacity was driven by a 33.9 percent, 16.2 percent and 12.3 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 15.9 percent or $65 million. AMR Eagle's traffic increased 2.8 percent while capacity decreased 5 percent, to approximately 1.6 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $48 million, or 25.3 percent, primarily due to the same reasons as noted above.

Other revenues decreased 27.4 percent or $93 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 19.9 percent, or $1,263 million. American's **cost per ASM** increased 0.5 percent to 10.78 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** remained flat quarter-over-quarter, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 22.1 percent, or $186 million, due primarily to an 11.6 percent decrease in the Company's fuel consumption and a 9.4 percent decrease in the Company's average price per gallon of fuel. **Food service** decreased 17.4 percent, or $38 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 40.4 percent, or $105 million, due primarily to a 19.1 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $685 million related to the writedown of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables during the second quarter of 2001 (see footnote 8 to the condensed consolidated financial statements). **Other operating expenses** decreased 19.3 percent, or $196 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $86 million due to the following: **Interest income** decreased 25 percent, or $6 million, due primarily to decreases in interest rates. **Interest expense** increased $32 million, or 24.2 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $16 million, or 42.1 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased 86.5 percent, or $32 million, due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption.

The effective tax rate for the three months ended June 30, 2002 was impacted by a $30 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

RESULTS OF OPERATIONS (Continued)

For the Six Months Ended June 30, 2002 and 2001

Summary AMR's **net loss** for the six months ended June 30, 2002 was $1,070 million, or $6.90 per share, as compared to a net loss of $550 million, or $3.58 per share, for the same period in 2001. AMR's **operating loss** for the six months ended June 30, 2002 was $1,330 million, compared to an operating loss of $764 million for the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, TWA LLC purchased substantially all of the assets and assumed certain liabilities of TWA. Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the six month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. In addition, AMR's 2001 results include: (i) a $685 million charge ($430 million after-tax, or $2.79 per share) related to the writedown of the carrying value of its Fokker 100, Saab 340 and ATR-42 aircraft and related rotables, and (ii) a $45 million gain ($29 million after-tax, or $0.19 per share) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,728 million or 16.7 percent, in 2002 versus the same period in 2001. American's **passenger revenues** decreased by 15.7 percent, or $1,349 million in 2002 as compared to the same period in 2001. American's domestic RASM decreased 13.4 percent, to 8.58 cents, on a capacity decrease of 0.4 percent, to 61.3 billion ASMs. International RASM decreased to 8.67 cents, or 7.7 percent, on a capacity decrease of 14 percent. The decrease in international RASM was due to a 10.2 percent and 7.9 percent decrease in Latin American and European RASM, respectively, slightly offset by a 5.6 percent increase in Pacific RASM. The decrease in international capacity was driven by a 36.4 percent, 15.2 percent and 8.2 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 14.9 percent, or $114 million. AMR Eagle's traffic increased 4.7 percent while capacity decreased 3.2 percent, to approximately 3.2 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $90 million or 24.6 percent, primarily due to the same reasons as noted above.

Other revenues decreased 27.6 percent, or $175 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 10.5 percent, or approximately $1,162 million. American's **cost per ASM** increased by 0.5 percent to 11.03 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** increased 8.6 percent, or $334 million, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 23.6 percent, or $366 million, due primarily to a 16.1 percent decrease in the Company's average price per gallon of fuel and a 6.1 percent decrease in the Company's fuel consumption. **Aircraft rentals** increased $66 million, or 17.6 percent, due primarily the addition of TWA aircraft. **Food service** decreased 12.9 percent, or $52 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 34.7 percent, or $168 million, due primarily to a 15.7 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $685 million related to the writedown of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables during the second quarter of 2001. **Other operating expenses** decreased 15.4 percent, or $296 million due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $167 million due to the following: **Interest income** decreased 43.8 percent or $28 million, due primarily to decreases in interest rates. **Interest expense** increased $79 million, or 31.5 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $35 million, or 44.3 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased $25 million due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption and the write-down of certain investments held by the Company during the first quarter of 2001.

The effective tax rate for the six months ended June 30, 2002 was impacted by a $57 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of NOLs. This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities in the six month period ended June 30, 2002 was $86 million, a decrease of $799 million over the same period in 2001, due primarily to an increase in the Company's net loss. Included in net cash provided by operating activities during the first six months of 2002 was approximately $658 million received by the Company as a result of the utilization of its 2001 NOL's. Capital expenditures for the first six months of 2002 were $1,113 million, and included the acquisition of seven Boeing 757-200s, three Boeing 777-200ERs, 15 Embraer 140s and four Bombardier CRJ-700 aircraft. These capital expenditures were financed primarily through secured mortgage and debt agreements. Proceeds from the sale of equipment and property of $162 million include the proceeds received upon delivery of three McDonnell Douglas MD-11 aircraft to FedEx.

As of June 30, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 11 Boeing 777-200ERs, nine Boeing 767-300ERs, 109 Embraer regional jets and 20 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $505 million during the remainder of 2002, $1.5 billion in 2003, $1.1 billion in 2004 and an aggregate of approximately $2.1 billion in 2005 through 2008.

In June 2002, Standard & Poor's downgraded the credit ratings of AMR and American, and the credit ratings of a number of other major airlines. The long-term credit ratings of AMR and American were removed from Standand & Poor's Credit Watch with negative implications and were given a negative outlook. Any additional reductions in AMR's or American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing needs.

In addition to the Company's approximately $2.6 billion in cash and short-term investments as of June 30, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $40 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks, (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, and (viii) unsecured borrowings. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

Pursuant to the Act, the Government made available to air carriers, subject to certain conditions, up to $10 billion in federal government guarantees of certain loans. American did not seek such loan guarantees.

OTHER INFORMATION

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until August 17, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association (APA) contract freezes the number of ASMs and block hours flown on American's two letter marketing code by American's regional carrier partners when American pilots are on furlough (the ASM cap). As AMR Eagle continues to accept previously ordered regional jets, this ASM cap would be reached sometime in 2002, necessitating actions to insure compliance with the ASM cap. American is working with its regional partners to accomplish this. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition, American is removing its code from flights of the AmericanConnection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of these actions will enable it to comply with this ASM cap through 2002 and for sometime beyond.

In addition, another provision in the current APA contract limits the total number of regional jets with more than 44 seats flown under the American code by American's regional carrier partners to 67 aircraft. Similar to the above, as AMR Eagle continues to accept previously ordered Bombardier CRJ aircraft, this cap would be reached in early 2003. In order to ensure American remains in compliance with this provision, AMR Eagle has reached an agreement in principle to dispose of 14 Embraer 145 aircraft. Ultimately, these airplanes will be acquired by Trans States Airlines, an AmericanConnection carrier. Trans States Airlines will operate these aircraft under its two letter airline code and expects to deploy these aircraft at its St. Louis hub where it feeds American. The potential transaction still requires the consent of certain third parties, including the companies financing these aircraft, and is subject to the negotiation of final documentation.

B

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for AMR, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. During the second quarter of 2002, the Company completed the first step of its impairment analysis related to its $1.4 billion of goodwill and determined the Company's net book value to be in excess of the Company's fair market value at January 1, 2002, using AMR as the reporting unit for purposes of the fair value determination. As a result, the Company is in the process of completing the second step of the impairment analysis which will allocate the newly determined fair value of AMR to each of its assets and liabilities. This allocation is expected to be completed during the third or fourth quarter of 2002 and will likely result in the Company recording a one-time, non-cash pre-tax charge of up to $1.4 billion to write-down AMR's goodwill. Such charge would be nonoperational in nature and would be reflected as a cumulative effect of an accounting change in the consolidated statements of operations.

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2002	2001	2002	2001
Earnings:					
Loss before income taxes	B	$ (720)	$ (793)	$ (1,583)	$ (850)
Add: Total fixed charges (per below)	E	435	423	875	754
Less: Interest capitalized	B	22	38	44	79
Total loss	E	$ (307)	$ (408)	$ (752)	$ (175)
Fixed charges:					
Interest, including interest capitalized	C	$ 156	$ 126	$ 316	$ 240
Portion of rental expense representative of the interest factor	G	270	290	542	502
Amortization of debt expense	C	9	7	17	12
Total fixed charges	E	$ 435	$ 423	$ 875	$ 754
Coverage deficiency		$ 742	$ 831	$ 1,627	$ 929

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2002 and 2001

Summary American's **net loss** for the six months ended June 30, 2002 was $1,028 million as compared to a net loss of $489 million for the same period in 2001. American's **operating loss** for the six months ended June 30, 2002 was $1,353 million, compared to an operating loss of $713 million for the same period in 2001. American's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, Trans World Airlines LLC (TWA LLC, a wholly owned subsidiary of AMR Corporation) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the six month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. All references to American Airlines, Inc. include the operations of TWA LLC since April 10, 2001 (collectively, American). In addition, American's 2001 results include: (i) a $586 million charge ($368 million after-tax) related to the writedown of the carrying value of its Fokker 100 aircraft and related rotables in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (see footnote 8 to the condensed consolidated financial statements), and (ii) a $45 million gain ($29 million after-tax) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,608 million, or 16.9 percent, in 2002 versus the same period in 2001. American's **passenger revenues** decreased by 15.7 percent, or $1,349 million in 2002 as compared to the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 13.4 percent, to 8.58 cents, on a capacity decrease of 0.4 percent, to 61.3 billion available seat miles (ASMs). International RASM decreased to 8.67 cents, or 7.7 percent, on a capacity decrease of 14 percent. The decrease in international RASM was due to a 10.2 percent and 7.9 percent decrease in Latin American and European RASM, respectively, slightly offset by a 5.6 percent increase in Pacific RASM. The decrease in international capacity was driven by a 36.4 percent, 15.2 percent and 8.2 percent reduction in Pacific, European and Latin American ASMs, respectively.

Cargo **revenues** decreased $88 million or 24.3 percent primarily due to the same reasons as noted above.

Other revenues decreased 29.3 percent, or $171 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 9.5 percent, or approximately $968 million. American's **cost per ASM** increased by 0.5 percent to 11.03 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** increased 9.6 percent, or $349 million, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 24 percent, or $354 million, due primarily to a 16.1 percent decrease in the Company's average price per gallon of fuel and a 6.7 percent decrease in the Company's fuel consumption. **Aircraft rentals** increased $69 million, or 19.3 percent, due primarily the addition of TWA aircraft. **Food service** decreased 12.8 percent, or $51 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 34.2 percent, or $156 million, due primarily to a 15.7 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $586 million related to the writedown of the carrying value of the Company's Fokker 100 aircraft and related rotables during the second quarter of 2001 (see footnote 8 to the condensed consolidated financial statements). **Other operating expenses** decreased 15.3 percent, or $264 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $124 million due to the following: **Interest income** decreased 18.2 percent, or $8 million due primarily to decreases in interest rates. **Interest expense** increased $81 million, or 47.9 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $33 million, or 44.6 percent, due primarily to a decrease in purchase deposits for flight equipment. **Related party interest – net** increased $32 million due primarily to higher receivable balances from affiliated entities versus 2001. **Miscellaneous-net** decreased $34 million due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption.

The effective tax rate for the six months ended June 30, 2002 was impacted by a $57 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

OTHER INFORMATION

Net cash used for operating activities in the six month period ended June 30, 2002 was $53 million a decrease of $785 million over the same period in 2001, due primarily to an increase in the Company's net loss. Included in net cash used for operating activities during the first six months of 2002 was approximately $658 million received by the Company as a result of the utilization of its 2001 NOL's. Capital expenditures for the first six months of 2002 were $846 million and included the acquisition of seven Boeing 757-200s and three Boeing 777-200ER aircraft. These capital expenditures were financed primarily through secured mortgage agreements. Proceeds from the sale of equipment and property of $160 million include the proceeds received upon delivery of three McDonnell Douglas MD-11 aircraft to FedEx.

As of June 30, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 11 Boeing 777-200ERs and nine Boeing 767-300ERs. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $210 million during the remainder of 2002, $890 million in 2003, $390 million in 2004 and an aggregate of approximately $1.5 billion in 2005 through 2008.

In June 2002, Standard & Poor's downgraded the credit ratings of American, and the credit ratings of a number of other major airlines. The long-term credit ratings of American were removed from Standard & Poor's Credit Watch with negative implications and were given a negative outlook. Any additional reductions in American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing needs.

In addition to the Company's approximately $2.5 billion in cash and short-term investments as of June 30, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $40 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks, (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, and (viii) unsecured borrowings. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

Pursuant to the Act, the Government made available to air carriers, subject to certain conditions, up to $10 billion in federal government guarantees of certain loans. American did not seek such loan guarantees.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until August 17, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association (APA) contract freezes the number of ASMs and block hours flown on American's two letter marketing code by American's regional carrier partners when American pilots are on furlough (the ASM cap). As AMR Eagle continues to accept previously ordered regional jets, this ASM cap would be reached sometime in 2002, necessitating actions to insure compliance with the ASM cap. American is working with its regional partners to accomplish this. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition, American is removing its code from flights of the AmericanConnection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of these actions will enable it to comply with this ASM cap through 2002 and for sometime beyond.

In addition, another provision in the current APA contract limits the total number of regional jets with more than 44 seats flown under the American code by American's regional carrier partners to 67 aircraft. Similar to the above, as AMR Eagle continues to accept previously ordered Bombardier CRJ aircraft, this cap would be reached in early 2003. In order to ensure American remains in compliance with this provision, AMR Eagle has reached an agreement in principle to dispose of 14 Embraer 145 aircraft. Ultimately, these airplanes will be acquired by Trans States Airlines, an AmericanConnection carrier. Trans States Airlines will operate these aircraft under its two letter airline code and expects to deploy these aircraft at its St. Louis hub where it feeds American. The potential transaction still requires the consent of certain third parties, including the companies financing these aircraft, and is subject to the negotiation of final documentation.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for the Company, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. During the second quarter of 2002, the Company completed the first step of its impairment analysis related to its $1.3 billion of goodwill and determined the Company's net book value to be in excess of the Company's fair market value at January 1, 2002, using American as the reporting unit for purposes of the fair value determination. As a result, the Company is in the process of completing the second step of the impairment analysis which will allocate the newly determined fair value of American to each of its assets and liabilities. This allocation is expected to be completed during the third or fourth quarter of 2002 and will likely result in the Company recording a one-time, non-cash pre-tax charge of up to $1.3 billion to write-down American's goodwill. Such charge would be nonoperational in nature and would be reflected as a cumulative effect of an accounting change in the consolidated statements of operations.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2002	2001	2002	2001
Earnings:					
Loss before income taxes	B	$ (706)	$ (712)	$ (1,520)	$ (756)
Add: Total fixed charges (per below)	E	382	381	770	668
Less: Interest capitalized	B	21	35	41	74
Total loss	E	$ (345)	$ (366)	$ (791)	$ (162)
Fixed charges:					
Interest, including interest capitalized	C	$ 123	$ 103	$ 250	$ 190
Portion of rental expense representative of the interest factor	G	258	277	518	476
Amortization of debt expense	C	1	1	2	2
Total fixed charges		$ 382	$ 381	$ 770	$ 668
Coverage deficiency	E	$ 727	$ 747	$ 1,561	$ 830

Note: In April 2001, the Board of Directors of American approved the guarantee by American of AMR's existing debt obligations. As of June 30, 2002, this guarantee covered approximately $634 million of unsecured debt and approximately $573 million of secured debt. The impact of these unconditional guarantees is not included in the above computation. D

CERTIFICATE AS TO INSURANCE

I, the undersigned representative of American Airlines, Inc. ("American"), **DO HEREBY CERTIFY** on behalf of American that (i) American has obtained insurance at least sufficient to satisfy the requirements of Section 4.4 of the IDA Lease Agreement, dated as of July 1, 2002, by and between the New York City Industrial Development Agency and American and (ii) that certificates of insurance covering such risks are attached hereto as Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of July, 2002.

AMERICAN AIRLINES, INC.

By: Leslie M Benners
Name: Leslie M. Benners
Title: Managing Director
Corporate Finance and
Banking

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY): 7/29/02

PRODUCER

Aon Risk Services, Inc. of New York
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New York, NY 10017

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INSURED

American Airlines, Inc.
P.O. Box 300747 JFk Airport Station
Jamaica, NY 11430

COMPANIES AFFORDING COVERAGE

COMPANY A	Commerce and Industry
COMPANY B	
COMPANY C	
COMPANY D	
COMPANY E	

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICTED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES, LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIREATION DATE (MM/DD/YY)	LIMIT	
	GENERAL LIABILITY					
	COMMERCIAL GENERAL LIABILITY				GENERAL AGGREGATE	$
	CLAIMS MADE / OCCUR				PRODUCTS-COMP/OP AGG	$
	OWNER'S & CONTRACTOR'S PROT				PERSONAL & ADV INJURY	$
					EACH OCCURRENCE	$
					FIRE DAMAGE (Any one person)	$
					MED EXPERIENCE (Any one person)	$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	$
	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
	SCHEDULED AUTOS				BODILY INJURY (PER ACCIDENT)	$
	HIRED AUTOS				PROPERTY DAMAGE	$
	NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
A	OTHER Pollution and Remediation Legal Liability	PLS 5299193	1/18/00	1/18/10	$25,000,000 per occurrence limit $25,000,000 aggregate limit $250,000 Deductible	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Certificate holder is an additional insured as respects to the above referenced policy for the JFK International Airport, American Airlines, Terminals 8 and 9, Jamaica, NY 11430

CERTIFICATE HOLDER

The Bank of New York
101 Barclay Street
New York, NY 10286

CANCELLATION

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AUTHORIZED REPRESENTATIVE

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	GENERAL LIABILITY					
	COMMERCIAL GENERAL LIABILITY				GENERAL AGGREGATE	$
	CLAIMS MADE ☐ OCCUR				PRODUCTS-COMP/OP AGG	$
	OWNER'S & CONTRACTOR'S PROT				PERSONAL & ADV INJURY	$
					EACH OCCURRENCE	$
					FIRE DAMAGE (Any one person)	$
					MED EXPERIENCE (Any one person)	$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	$
	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
	SCHEDULED AUTOS				BODILY INJURY (PER ACCIDENT)	$
	HIRED AUTOS				PROPERTY DAMAGE	$
	NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
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					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: ☐ INCL ☐ EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
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City Hall
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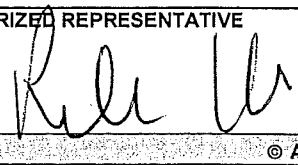

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COMPANY B	
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COMPANY D	
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American Airlines, Inc.
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Jamaica, NY 11430

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New York City Industrial Development Agency
110 William Street
New York, NY 10038

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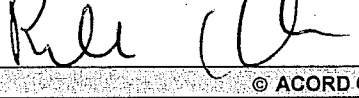

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	[ ] CLAIMS MADE [ ] OCCUR				PRODUCTS-COMP/OP AGG	$
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					EACH OCCURRENCE	$
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	AUTOMOBILE LIABILITY					
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	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
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	HIRED AUTOS				PROPERTY DAMAGE	$
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	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY	
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					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: [ ] INCL [ ] EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
A	OTHER Pollution and Remediation Legal Liability	CPO 7619405	1/18/00	1/18/09	$25,000,000 per occurrence limit $25,000,000 aggregate limit $250,000 Deductible	

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CERTIFICATE HOLDER

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AUTHORIZED REPRESENTATIVE

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ACORD™

CERTIFICATE LIABILITY INSURANCE

DATE (MM/DD/YY)
7/29/02

PRODUCER

Aon Risk Services, Inc. of New York
685 Third Avenue
New York, NY 10017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A	Commerce and Industry
COMPANY B	
COMPANY C	
COMPANY D	
COMPANY E	

INSURED

American Airlines, Inc.
P.O. Box 300747 JFk Airport Station
Jamaica, NY 11430

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICTED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES, LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIREATION DATE (MM/DD/YY)	LIMIT	
	GENERAL LIABILITY					
	COMMERCIAL GENERAL LIABILITY				GENERAL AGGREGATE	$
	CLAIMS MADE / OCCUR				PRODUCTS-COMP/OP AGG	$
	OWNER'S & CONTRACTOR'S PROT				PERSONAL & ADV INJURY	$
					EACH OCCURRENCE	$
					FIRE DAMAGE (Any one person)	$
					MED EXPERIENCE (Any one person)	$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	$
	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
	SCHEDULED AUTOS				BODILY INJURY (PER ACCIDENT)	$
	HIRED AUTOS				PROPERTY DAMAGE	$
	NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
A	OTHER Pollution and Remediation Legal Liability	CPO 7619405	1/18/00	1/18/09	$25,000,000 per occurrence limit $25,000,000 aggregate limit $250,000 Deductible	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Certificate holder is an additional insured as respects to the above referenced policy for the covered operations at JFK International Airport, American Airlines, Terminals 8 and 9, Jamaica, NY 11430

CERTIFICATE HOLDER

The City of New York
City Hall
New York, NY 10007

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WITHIN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY)
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PRODUCER

Aon Risk Services, Inc. of New York
685 Third Avenue
New York, NY 10017

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COMPANIES AFFORDING COVERAGE

COMPANY A	Commerce and Industry
COMPANY B	
COMPANY C	
COMPANY D	
COMPANY E	

INSURED

American Airlines, Inc.
P.O. Box 300747 JFk Airport Station
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COVERAGES

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CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIREATION DATE (MM/DD/YY)	LIMIT	
	GENERAL LIABILITY					
	COMMERCIAL GENERAL LIABILITY				GENERAL AGGREGATE	$
	CLAIMS MADE / OCCUR				PRODUCTS-COMP/OP AGG	$
	OWNER'S & CONTRACTOR'S PROT				PERSONAL & ADV INJURY	$
					EACH OCCURRENCE	$
					FIRE DAMAGE (Any one person)	$
					MED EXPERIENCE (Any one person)	$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	$
	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
	SCHEDULED AUTOS				BODILY INJURY (PER ACCIDENT)	$
	HIRED AUTOS				PROPERTY DAMAGE	$
	NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
A	OTHER Pollution and Remediation Legal Liability	CPO 7619405	1/18/00	1/18/09	$25,000,000 per occurrence limit $25,000,000 aggregate limit $250,000 Deductible	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Certificate holder is an additional insured as respects to the above referenced policy for the covered operations at JFK International Airport, American Airlines, Terminals 8 and 9, Jamaica, NY 11430

CERTIFICATE HOLDER

New York City Industrial Development Agency
110 William Street
New York, NY 10038

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WITHIN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

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AmericanAirlines®

Certificate of Insurance No. 5572

This certificate is issued as a matter of information only and confers no rights upon the certificate holder.
This certificate does not amend, extend or alter the coverage afforded by the policies listed below.
Cancellation: Should any of the described policies be cancelled, the issuing company will endeavor to mail 30 days written notice to the below named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company.

NAME AND ADDRESS OF CERTIFICATE HOLDER	NAME AND ADDRESS OF INSURED
New York City Industrial Development Agency 110 William Street New York, NY 10038	AMR CORPORATION and its subsidiaries including **American Airlines, Inc.** P.O. Box 619616 Dallas/Ft. Worth Airport, TX 75261

TYPE OF COVERAGE	LIMITS OF LIABILITY	POLICY PERIOD (MM/DD/YY)	INSURANCE COMPANY AND POLICY NUMBER
A. AIRCRAFT LIABILITY in respect of all aircraft owned, leased, or operated by the Named Insured, worldwide.	$100,000,000 Bodily Injury & Property Damage Combined	12/01/2001 to 12/01/2002	SUBSCRIBING INSURERS FOR 100% PARTICIPATION ASSOCIATED AVIATION UNDERWRITERS SP-6551 VARIOUS INSURERS THROUGH AON GROUP LIMITED, AVIATION AM0130739 Subscribing Lloyds Underwriters for percentages as on file with Group Limited, Aviation. Subscribing members of Institute of London Underwriters for percentages as on file with Aon Group Limited, Aviation. Subscribing Insurance Companies for percentages as on file with Aon Group Limited Aviation
B. AIRCRAFT HULL INSURANCE in respect of all aircraft owned, leased, or operated by the Named Insured, worldwide.			
C. COMPREHENSIVE GENERAL LIABILITY in respect of all Ground Operations of the Named Insured, including Premises Operations, Contractual, Products and Completed Operations, Hangarkeepers Liability - in flight.	$100,000,000 Bodily Injury & Property Damage Combined		LA CONCORDE ASSURANCES 1999/67396 (Through La Reunion Aerienne) AGF M.A.T. per ASSURANCE FRANCE AVIATION 01.0785
D. EXCESS LIABILITY (per occurrence and in the aggregate) in respect of all Owned, Hired and Non-Owned Automobiles, worldwide, Coverage G (Commercial General Liability, non-aviation operations), and Employers' Liability.	$25,000,000		NEW YORK MARINE & GENERAL INSURANCE COMPANY (Through Mutual Marine Office) MMO-16116AV501 AXA CORPORATE SOLUTIONS AVIATION 01.46
E. EXCESS CARGO LEGAL LIABILITY & SHIPPERS INTEREST	$5,000,000 excess of $5,000,000		AVION ASSURANCE LIMITED 1001-01 AMERICAN HOME ASSURANCE COMPANY HL3387434-04 UNITED STATES AVIATION UNDERWRITERS, INC. SIHL1-213A For and on behalf of the Member Companies of the United States Aircraft Insurance Group XL SPECALITY INSURANCE COMPANY PXLA37000086-01
F. COMMERCIAL GENERAL LIABILITY in respect of non-aviation operations of the Named Insured including Premises and Operations and Contractual.			
G. COMPREHENSIVE AUTOMOBILE LIABILITY in respect of all Owned, Leased, Hired and Non-Owned Automobiles - USA.	$1,000,000 Combined Single Limit Each Accident	12/01/2001-12/01/2002	National Union Fire Insurance Company RMCA5273562 American Home Insurance RMCA5273563
H. PROPERTY INSURANCE including replacement cost coverage.	$500,000,000 Any One Occurrence	6/01/2002-6/01/2003	Factory Mutual Ins. Co. JT268
I. CARGO LEGAL LIABILITY & SHIPPERS INTEREST	$5,000,000 Any One Aircraft Any One Location	8/01/2001-8/01/2002	Federal Insurance Company 658-31-59
J. WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY	Bodily Injury by Accident $1,000,000 Each Accident Bodily Injury by Accident $1,000,000 Policy Limit Bodily Injury by Disease $1,000,000 Each Employee	8/01/2001-8/01/2002	American Home Assurance 4066929 & 4066931 Insurance Co. State of Pennsylvania 4066933 AI South Insurance Company 4066932 Illinois National Ins. Co. 4066930 & 40669355

Each of the above Insurers, Individually, has authorized Aon Risk Services of Texas, Inc. to issue this certificate on its behalf. Aon Risk Services of Texas, Inc. is not an insurer and has no liability of any sort under the above policies, nor as a result of the issuance of this Certificate. The policy is subject to Associated Aviation Underwriters' Electronic Date Recognition Exclusion and Electronic Date Change Recognition Exclusion Coverage Endorsement.
SEVERAL LIABILITY NOTICE - The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligation.

Description of Operations
Note: Coverage for vehicles operated on airport premises is provided under Coverage C, Comprehensive General Liability. Liquor Liability coverage is provided under coverage C, Comprehensive General Liability.
Reference Special Facility Revenue Bonds for John F. Kennedy International Airport Project.

Producer: Aon Risk Services of Texas, Inc.
2711 North Haskell Avenue, Suite 800
Dallas, Texas 75204

Date Issued: July 24, 2002

Ilana L. Robinson

By: _____
Name

ATTACHMENTS TO CERTIFICATE NO. 5572

2b. Additional Insured
As required by contract, but subject to the terms, conditions and exclusions of the policy, New York City Industrial Development Agency, The City of New York, and The Bank of New York are included as additional insured(s) as respects operations performed by or for the named insured for all coverages evidenced on this certificate except Workers' Compensation and Cargo.

3b. Cancellation Clause
In the event the Aircraft Liability, Comprehensive General Liability, Excess Liability or Excess Cargo Legal Liability & Shipper's Interest insurance described on this certificate is cancelled, non-renewed or there is a reduction in coverage/material change which effects the interest of the certificate holder, or if this insurance is allowed to lapse for non-payment of premium, the insurers agree to provide ten (10) days prior written notice of such cancellation, change or lapse to the certificate holder.

3a. Cancellation Clause
Should the Comprehensive Automobile Liability and Property insurance described on this certificate of insurance be cancelled, non-renewed or there is a reduction in coverage/material change before the expiration date thereof, the issuing company will mail ten (10) days prior written notice of such cancellation, change or lapse to the certificate holder.

8. Contractual Liabilities
Such coverages as is afforded by the policies includes contractual liabilities and insurance requirements assumed under the reference contract to the extent that insurance is afforded under the policy.

4. Cross Liability
The inclusion of more than one corporation, person, organization, firm or entity as Insured under the policies shall not in any way affect the rights of any such corporation, person, organization, firm or entity either as respects any claim, demand, suit or judgement made, brought or recovered by or in favor of any other insured or by or in favor of any employee or such other insured. The policies shall protect each corporation person, organization, firm or entity in the same manner, as though separate policies had been issued to each; but nothing herein shall operate to increase the liability of the insurers as set forth elsewhere in the policies beyond the amount or amounts for which the insurers would have been liable if only one person or interest had been included as an additional insured.

AMR CORPORATION.

SECRETARY'S CERTIFICATE

The undersigned, Charles D. MarLett, certifies that he is the Corporate Secretary of AMR Corporation, a Delaware corporation (the "Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Company, and with reference to the Bond Purchase Agreement (the "Bond Purchase Agreement") dated July 25, 2002 regarding the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B, among the New York City Industrial Development Agency, American Airlines, Inc., the Company and Salomon Smith Barney Inc., on behalf of the Underwriters (capitalized terms used herein without definition have the meanings specified in the Bond Purchase Agreement), further certifies that:

1. Attached hereto as Exhibit A is a true and complete copy of the Composite Certificate of Incorporation of the Company that is in full force and effect as of the date hereof.

2. Attached hereto as Exhibit B is a true and complete copy of the Bylaws of the Company as the same have been in effect at all times since April 2, 2002, to and including the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of Delaware as to the valid existence, good standing and franchise tax status of the Company and listing all charter documents on file as of such date.

4. Attached hereto as Exhibit D are true and correct copies of certain resolutions duly adopted by the Board of Directors of the Company at meetings of the Board of Directors duly called and held on January 17, 2001 and January 20, 1999, respectively. At each such meeting a quorum was present and acting throughout, and such resolutions are the only resolutions adopted by the Board of Directors with respect to the matters referred to therein and have not been in any way amended, annulled, rescinded or revoked and are in full force and effect.

5. Attached hereto as Exhibit E is a true and complete copy of the Certificate of the Corporate Secretary of the Company as to the incumbency and signature of certain officers of the Company, such certificate countersigned by another officer of the Company whose specimen signature appears therein.

WITNESS the seal of the Company and the signature of the undersigned the 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

EXHIBIT A

COMPOSITE

Certificate of Incorporation

of

AMR CORPORATION

As Amended

Effective May 27, 1993

COMPOSITE
CERTIFICATE OF INCORPORATION
OF
AMR CORPORATION

FIRST: The name of the corporation is AMR Corporation.

SECOND: The registered office or place of business of the corporation in the State of Delaware is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 170,000,000 shares, of which 20,000,000 shares shall be shares of Preferred Stock without par value (hereinafter called "Preferred Stock") and 150,000,000 shares shall be shares of Common Stock of the par value of $1.00 per share (hereinafter called "Common Stock").

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock shall be governed by the following provisions:

1. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in the Certificate of Incorporation, including (but without limiting the generality thereof) the following:

(a) The designation of such series.

(b) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividend shall be cumulative or non-cumulative.

(c) Whether the shares of such series shall be subject to redemption by the corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purpose or redemption of the shares of such series.

(e) Whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of such series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(h) The rights of the holders of the shares of such series upon dissolution of, or upon the distribution of assets of, the corporation.

2. Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever. Any amendment to the Certificate of Incorporation

which shall increase or decrease the authorized stock of any class or classes may be adopted by the affirmative vote of the holders of a majority of the outstanding shares of the voting stock of the corporation.

3. No holder of shares of any class of stock of the corporation shall be entitled as a matter of right, to any preemptive right to subscribe to any additional issues of stock of the corporation of any class, or any securities convertible into any class of stock of the corporation.

4. The corporation may from time to time issue and dispose of any of the authorized and unissued shares of Preferred Stock for such consideration as may be fixed from time to time by the Board of Directors, or of Common Stock for such consideration, not less than its par value, as may be fixed from time to time by the Board of Directors, without action by the stockholders. The Board of Directors may provide for payment therefor to be received by the corporation in cash, property, or services. Any and all such shares of the Preferred or Common Stock of the corporation the issuance of which has been so authorized, and for which consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon.

FIFTH: The names and mailing addresses of the incorporator is as follows:

Connie M. Friesen
299 Park Avenue
New York, New York 10171

SIXTH: The corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever, and no action of the corporation shall be construed as a constructive assent to such liability.

EIGHTH: The business of the corporation shall be managed by a Board of Directors.

1. All corporate powers of the corporation shall be exercised by the Board of Directors, except as otherwise provided by law.

2. Directors need not be stockholders, nor residents of the State of Delaware.

3. The number of directors which shall constitute the whole Board shall be such as from time to time shall be fixed by, or in the manner provided in, the By-Laws, but in no case shall the number be less than three.

4. By-Laws of the corporation for the management of its property, the regulation and government of its affairs, and for the certification and transfer of its stock may originally be adopted by the incorporators. Thereafter, the directors shall have power from time to time to make, alter, or repeal By-Laws, but any By-Laws made by the Board of Directors may be altered, amended, or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment, or repeal is included in the notice of such special meeting.

5. The stockholders and directors may hold their meetings and have an office or offices outside the State of Delaware if the By-Laws so provide.

6. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors which, to the extent provided in said resolution or resolutions or in the By-Laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

7. The Board of Directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book, or document of the corporation except as conferred by statute or as authorized by resolution of the Board of Directors.

8. The Board of Directors shall have power from time to time to fix the amount to be reserved by the corporation over and above its capital stock paid in and to fix and determine and to vary the amount of the working capital of the corporation, and to direct and determine the use and disposition of the working capital and of any surplus or net profits over and above the capital stock paid in.

9. At all meetings of stockholders and at all elections of directors, each holder of capital stock shall have one vote for each share of capital stock registered in his name on the books of the corporation.

10. At all meetings of the stockholders the holders of one-third of the number of shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law.

11. In so far as the same is not contrary to the laws of Delaware, no contract or other transaction between the corporation and any other corporation, association, organization, society, or person shall be affected or invalidated by the fact that any one or more of the directors of this corporation is or are a director or officer, or directors or officers, of such other corporation, association, organization, or society, or by the fact that such other corporation, association, organization, or society, is the owner or holder of any part of the capital stock of this corporation, or is interested in its property, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this corporation or in which this corporation is interested; and no contract, act or transaction of this corporation with any person or persons, firm or corporation, association, organization, or society, shall be affected or invalidated by the fact that any director or directors of this corporation is a party or are parties to or are interested in such contract, act, or transaction, or in any way connected with such person or persons, firm, corporation, organization, association or society, and each and every person who may become a director of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation for the benefit of himself or any firm, corporation, association, organization or society, in which he may be in any wise interested.

12. Any contract, transaction or act of the corporation or of the Board of Directors which shall be ratified by a majority in interest of a quorum of the stockholders of the corporation having voting power at any annual meeting or special meeting called for such purpose shall be as valid and as binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its directors or officers, of their right to proceed with such contract, transaction or action.

NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of the Title 8 of the Delaware Code, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ELEVENTH: No stockholder of the corporation shall have any preemptive or preferential right, nor shall be entitled as such, as a matter or right, to subscribe for or purchase any part of any new or additional issue of stock of the corporation of any class, whether now or hereafter authorized, and whether issued for money or for a consideration other than money, or of any issue of securities convertible into stock.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate in the manner now or hereafter prescribed by statute; and all rights herein conferred upon the stockholders are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned has hereunto set her name this 15th day of February, 1982.

s/Connie M. Friesen
Connie M. Friesen

EXHIBIT B

AMR CORPORATION

BYLAWS

(As amended April 2, 2002)

ARTICLE I

Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is

fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors.

The board of directors shall promptly, but in all events within ten (10) days after the date on which the written request for fixing a record date was received by the secretary, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to vote by consent, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken was delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to vote by consent shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where

the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section ll. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

ARTICLE III

Directors: Number, Election, Etc.

Section l. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time,

pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of

Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.

ARTICLE V

Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

ARTICLE VI

Committees

Section 1. Executive Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee, to consist of three or more members. The chief executive officer plus one other member of the executive committee shall constitute a quorum.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, with the exception of such powers and authority as may be specifically reserved to the board of directors by law or by resolution adopted by the board of directors.

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of three or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the audit committee shall constitute a quorum.

The audit committee shall from time to time review and make recommendations to the board of directors with respect to the selection of independent auditors, the fees to be paid such auditors, the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be specifically delegated to the committee by the board of directors. In this connection the audit committee shall, at its request, meet with representatives of the independent auditors and with the financial officers of the corporation separately or jointly.

Section 3. Compensation/Nominating Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation/nominating

committee, to consist of three or more members of the board of directors, except that no member of the compensation/nominating committee may (i) be an employee or officer of the corporation or (ii) maintain a relationship with the Corporation that would cause such member to be ineligible for membership on the compensation/nominating committee pursuant to rules or regulations adopted by the Securities and Exchange Commission, the Internal Revenue Service or any other governmental agency. A majority of the members of the compensation/nominating committee shall constitute a quorum.

The compensation/nominating committee shall from time to time review and make recommendations to the board of directors with respect to the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers, other remuneration plans such as incentive compensation, deferred compensation and stock option plans, directors' compensation and benefits. The compensation/nominating committee shall also make recommendations to the board of directors (i) concerning suitable candidates for election to the board, (ii) regarding assignments to board committees, and (iii) with respect to promotions, changes and succession among the senior management of the corporation and such other matters as may be specifically delegated to the committee by the board of directors.

Section 4. Governance Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a governance committee, to consist of three or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the nominating and governance committee shall constitute a quorum.

The governance committee shall make recommendations to the board of directors concerning the practices and procedures for the proper and efficient management of the board of

directors as determined by the committee. The governance committee shall perform such other duties as may be specifically delegated to the committee by the board of directors.

Section 5. Committee Procedure, Seal.

(a) The executive, compensation/nominating, governance, and audit committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The executive, compensation/nominating, governance, and audit committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence, or disqualification, of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

Section 6. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

ARTICLE VII

Indemnification

Section 1. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action,

suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (l) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper.

(a) Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1 hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section 1 hereof (unless ordered by a court) may be made

by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in

part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section 1 of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII

Officers

Section 1. General. The officers of the corporation shall be the chairman of the board, a vice-chairman, president, a chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may

abolish the office (except that of president, secretary and treasurer), elect an officer to fill such vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.

ARTICLE IX

Duties of Officers

Section 1. Chairman of the Board, Vice-Chairman, President, Chief Operating Officer. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice-chairman and the chief operating officer shall perform such duties as shall be assigned to each by the board of directors or the chairman of the board. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of (a) chairman of the board and president or (b) president and chief operating officer may be filled by the same individual.

Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as

shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.

Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman of the board, the president shall assume his powers and duties while he is absent or so disabled.

ARTICLE X

Stock

Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action

ARTICLE XI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 31st day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be

open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

ARTICLE XII

Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "AMR CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE SIXTEENTH DAY OF FEBRUARY, A.D. 1982, AT 10 O'CLOCK A.M.

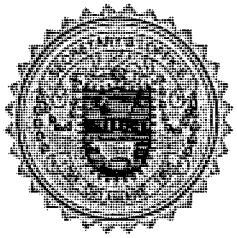
CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "AA INC." TO "AMR CORPORATION", FILED THE TENTH DAY OF MARCH, A.D. 1982, AT 10:20 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10:01 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10:02 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-EIGHTH DAY OF JANUARY, A.D. 1983, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRTIETH DAY OF JUNE, A.D. 1983, AT 10 O'CLOCK A.M.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0931981 8310

020474459

AUTHENTICATION: 1902049

DATE: 07-25-02

Delaware

The First State

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SEVENTH DAY OF FEBRUARY, A.D. 1986, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FIRST DAY OF MAY, A.D. 1987, AT 9:45 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SEVENTH DAY OF MAY, A.D. 1987, AT 10:35 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE SECOND DAY OF JUNE, A.D. 1987, AT 9:50 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE NINTH DAY OF JUNE, A.D. 1987, AT 10 O'CLOCK A.M.

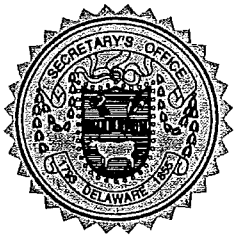
CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FOURTH DAY OF APRIL, A.D. 1989, AT 9 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FIFTH DAY OF JULY, A.D. 1990, AT 10:20 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE FOURTH DAY OF FEBRUARY, A.D. 1991, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTEENTH DAY OF JANUARY, A.D. 1992, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SECOND DAY OF JANUARY, A.D. 1993, AT 10 O'CLOCK A.M.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0931981 8310

AUTHENTICATION: 1902049

020474459

DATE: 07-25-02

Delaware

The First State

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SECOND DAY OF JANUARY, A.D. 1993, AT 10:01 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRD DAY OF FEBRUARY, A.D. 1993, AT 12:45 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF MAY, A.D. 1993, AT 10:32 O'CLOCK A.M.

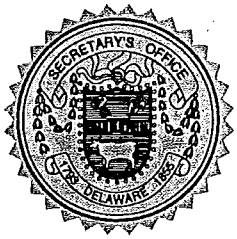
CERTIFICATE OF RETIREMENT, FILED THE TWELFTH DAY OF JANUARY, A.D. 1995, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF MAY, A.D. 1998, AT 12 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

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020474459

AUTHENTICATION: 1902049

DATE: 07-25-02

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
AMR CORPORATION

January 17, 2001

(b) Mr. Horton explained that in 2001 American would improve its facilities at John F. Kennedy International Airport. He said that this project would be financed through tax-exempt bonds, in one or more series, which would carry either a long-term fixed interest rate not to exceed 9% (except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate. Mr. Horton also explained that the aggregate principal amount of the bonds for this project would not exceed $750 million and that the bonds would be issued for a term not to exceed 45 years. Mr. Horton stated that it would be advantageous to the Corporation if these tax-exempt bonds were guaranteed by the Corporation.

After discussion, on motion made and seconded, the following resolutions were adopted:

> RESOLVED, that the issuance by the Corporation of a guarantee of up to $750 million aggregate principal amount of tax-exempt bonds, in one or more series, to be issued by The New York City Industrial Development Agency or such other governmental authority authorized to issue bonds for improvements at John F. Kennedy International Airport, as approved by the Board of Directors of American Airlines, Inc., be, and it hereby is, approved; and
>
> RESOLVED, that the set of resolutions entitled "General Financing Resolutions" adopted by the Board of Directors on January 20, 1999, as such resolutions may be amended, be, and they hereby are, incorporated by reference in the foregoing resolutions to the extent such resolutions are, or may be, applicable to the transactions contemplated by such resolutions.

RESOLUTIONS OF JANUARY 20, 1999
ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF
AMR CORPORATION

RESOLVED, that the following set of resolutions entitled "General Financing Resolutions" be, and they hereby are, approved and adopted, with the intention that such resolutions be incorporated by reference in the resolutions adopted in connection with, and be applicable to, any financing transaction authorized by the Board of Directors, including, without limitation, shelf registrations, offerings of common stock or preferred stock, offerings of warrants or options, offerings of debt instruments, domestic leveraged lease financings, cross-border lease financings, lease debt instruments, bank credit facilities, bank or other lending arrangements, standby credit facilities, offerings of short-term, medium-term or long-term debt instruments, long-term credit agreements, tax-exempt bond financings, and refinancings, repricings, amendments or modifications of any outstanding financing transactions (each such financing transaction for which the Board of Directors adopts the resolutions set forth below being referred to in such resolutions as a "*Financing Transaction*", and any equity or debt securities, or warrants, options or other securities, instruments, interests, or obligations issued, incurred, sold or offered by or on behalf of the Corporation, whether offered or sold publicly or privately, and whether sold in the United States, solely within one or more foreign countries, or in both the United States and one or more foreign countries, in connection with any Financing Transaction being referred to in such resolutions as "*Securities*").

GENERAL FINANCING RESOLUTIONS

Authorization to Execute and Deliver Agreements

RESOLVED, that the Chairman of the Board and President, any Executive Vice President, any Senior Vice President, the Treasurer and the Corporate Secretary of the Corporation (each, an "*Authorized Officer*") be, and each of them hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, and to deliver, all such agreements and instruments as they or any of them may deem necessary or advisable to effect any Financing Transaction or the issuance or sale of any Securities, including but not limited to one or more participation agreements, lease agreements, equipment trust agreements, trust agreements, purchase agreement assignments, tax

indemnity agreements, registration statements, underwriting or other sales agreements, bond purchase agreements, distribution agreements, issuing agent, paying agent or other agent agreements, exchange rate agreements, dealer agreements, indentures, assumption agreements, option agreements, warrant agreements, guarantees, indemnification agreements, reimbursement agreements, credit agreements, loan agreements, mortgages, security agreements, interest rate, currency, commodity or other swap agreements, refunding agreements, assignment agreements, facilities agreements, securities law undertakings, and amendments or supplements to any existing agreement or instrument, the execution of any such agreement, instrument, amendment or supplement by such person or persons being conclusive evidence of the due authorization and approval thereof by the Corporation.

Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to prepare, execute (personally or by attorney-in-fact) and file or cause to be filed with the Securities and Exchange Commission (the "*Commission*") one or more Registration Statements (each, a "*Registration Statement*") on an appropriate form, including the Prospectuses contained therein (each, a "*Prospectus*"), under the Securities Act of 1933, as amended (the "*1933 Act*"), or one or more amendments (including, without limitation, post-effective amendments) or supplements (including pricing amendments or supplements) to any Registration Statement or Prospectus previously filed under the 1933 Act, covering the offering of any of the Securities, each such Registration Statement to contain such information as may be approved by the Authorized Officer or Authorized Officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval by the Corporation of such Registration Statement, provided that a draft, which may omit exhibits, of each such Registration Statement be furnished to the Board of Directors at a meeting thereof, or be otherwise distributed to the members of the Board of Directors for review, prior to the initial filing of such Registration Statement with the Commission;

RESOLVED, that the officers and directors of the Corporation who may be required to sign and execute a Registration Statement or any amendment thereto or document in connection therewith (whether on behalf of the Corporation, or as an officer or director of the

Corporation, or otherwise) be, and each of them hereby is, authorized to execute a power of attorney appointing any Authorized Officer his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity such Registration Statement and any and all amendments (including post-effective amendments) thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in the name and on behalf of each of said officers and directors who shall have executed such a power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary or advisable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person; and

RESOLVED, that Anne H. McNamara, Senior Vice President and General Counsel of the Corporation, and John T. Curry, III, of Debevoise & Plimpton, in such instances when Debevoise & Plimpton shall act as counsel for the Corporation, be, and each of them hereby is, designated to act on behalf of the Corporation as agent for service in respect of matters relating to each Registration Statement, with all of the powers enumerated in Rule 478 of the Rules and Regulations of the Commission under the 1933 Act.

Underwriting, Distribution
or Other Sales Arrangements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to enter into such underwriting, distribution or other sales arrangements, including, without limitation, one or more underwriting, distribution or other sales agreements, fixing the sale prices and setting the underwriters', dealers' or agents' fees and other discounts and commissions relating to any of the Securities, as such person or persons may approve, the execution by such person or persons of any such underwriting, distribution or other sales agreement to be conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Indentures and Similar
Instruments Covering Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, under the corporate seal of the

Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver one or more indentures, loan agreements, warrant agreements or any similar agreements (including supplements or amendments to any existing indenture, loan agreement, warrant agreement or similar agreement) governing or applying to any Securities (each such indenture or other agreement being referred to as an "*Instrument*") and any supplements or amendments thereto, covering, without limitation, all or any portion of any Securities, in such form as may be approved by the person or persons executing the same on behalf of the Corporation, the execution thereof by such person or persons to be conclusive evidence of the due authorization and approval of such Securities and such Instrument by the Corporation; and that any trustee or trustees under any such Instrument be, and each of them hereby is, requested to join with the Corporation in the execution and delivery of such Instrument.

Certificates Evidencing Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, manually or by facsimile signature, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver any certificates or other instruments evidencing any of the Securities, including without limitation one or more certificates for any Securities to be issued in global form, the execution of any such certificate or other instrument by such officer to be conclusive evidence of the due authorization and approval of such certificate or other instrument by the Corporation; and

RESOLVED, that if any officer of the Corporation signs any certificate or other instrument evidencing any Securities either manually or by facsimile signature and then ceases to be such officer before the certificate or other instrument so signed is authenticated and delivered under the applicable Instrument or disposed of by the Corporation, such certificate or other instrument shall nevertheless be valid and may be authenticated and delivered or disposed of as though the person who signed such certificate or other instrument had not ceased to be such officer of the Corporation.

Appointment of Trustees, Agents and Others

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the

Corporation to appoint one or more trustees (including, without limitation, co-trustees and successor trustees), issuing agents, paying agents, depositories, registrars, calculation agents, exchange rate agents and such other persons as may be deemed by the officer appointing the same to be necessary or advisable to act in accordance with any Instrument or otherwise in connection with any Financing Transaction, the appointment of any such trustee, agent or person by any such person or persons to be conclusive evidence of the due authorization and approval by the Corporation of such appointment.

Exchange Act Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute (personally or by attorney-in-fact) and file or cause to be filed with the Commission one or more registration statements on Form 8-A or any other appropriate form for the purpose of registering all or a portion of the Securities on the New York Stock Exchange, Inc. or any other national securities exchange or any automated quotation system or otherwise registering the Securities pursuant to the Securities Exchange Act of 1934, as amended, such registration statement or statements to be in such form as may be approved by the officer or officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval of such registration statement or statements by the Corporation.

Listing on Exchange

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation, to execute, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, if requested, and file or cause to be filed with the New York Stock Exchange, Inc. or any other United States or foreign securities exchange or any automated quotation system (each, an "*Exchange*"), any and all applications, agreements or other instruments as are necessary to secure the listing or quotation on such Exchange of all or a portion of the Securities, and to enter into any and all agreements required in connection with such listing;

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized, on behalf of the Corporation, to appear before any such Exchange and to make any

changes required by such Exchange in the application of the Corporation or in the Corporation's agreements with such Exchange and to enter into any and all agreements and to do any and all acts or things which any such person or persons may deem necessary or advisable to secure the listing or quotation on such Exchange of all or a portion of the Securities; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more appropriate indemnification agreements with such Exchange, as required under the rules of such Exchange, if facsimile signatures of officers of the Corporation are used on the Securities; and that the Authorized Officers be, and each of them hereby is, authorized to execute in the name of and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary and to deliver indemnification agreements in such form as may be approved by the officer executing the same, the execution of any such agreement by such officer being conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Blue Sky and Other Securities Laws

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized on behalf of the Corporation to take any and all action which they or any of them deem necessary or advisable in order to obtain a permit to issue or sell any Securities, register or qualify any Securities for issuance and sale, or to request or obtain an exemption from registration of any of the Securities, or to register or obtain a license for the Corporation as a dealer or broker, under the securities laws of such of the states of the United States of America and of such foreign jurisdictions, including, without limitation, Canada, as such officer or officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications and exemptions to execute, adopt, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, irrevocable consents to service of process, surety bonds, powers of attorney and other papers and instruments as may be required under such laws or as may be deemed by such officer or officers to be useful or advisable to be filed thereunder, and to take any and all further action which they or any of them deem necessary or advisable in order to maintain such permits, registrations, qualifications, exemptions or licenses in effect for as long as they or any of them may deem to be

in the best interests of the Corporation;

RESOLVED, that it is desirable and in the best interests of the Corporation that the Securities be qualified or registered for sale in various states and other jurisdictions; that the Authorized Officers be, and each of them hereby is, authorized to determine the states or other jurisdictions in which appropriate action shall be taken to qualify or register for sale all or such part of the Securities as any such Authorized Officer or Authorized Officers may deem advisable; that such Authorized Officer or Authorized Officers be, and each of them hereby is, authorized to perform on behalf of the Corporation any and all such acts as any or all of them may deem necessary or advisable in order to comply with the applicable laws of any such states or other jurisdictions, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such Authorized Officer or Authorized Officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall be conclusive evidence of the due authorization and approval by the Corporation of the papers and documents so executed and the actions so taken; and

RESOLVED, that the Corporation hereby approves the designation of certain underwriters, who shall be licensed California broker-dealers, as specified by any Authorized Officer or any Assistant Secretary of the Corporation, as its attorneys-in-fact for the purposes of executing and filing an application on behalf of the Corporation, under applicable provisions of the California Corporation Securities Law of 1968, for the registration, qualification or exemption of part or all of the Securities for offering and sale in the State of California.

Authorization of Hedging Transactions in connection with Any Financing Transaction

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into any interest rate or currency hedge transaction (including, without limitation, entering into any interest or currency swap, selling short securities, purchasing listed or unlisted futures or options, purchasing interest rate caps, and paying a fee to obtain an underwriter's commitment to purchase debt on a future date at a fixed rate or at a fixed spread over a benchmark rate) in connection with

any Financing Transaction, provided that the anticipated all-in cost of such Financing Transaction as hedged (including the amortized cost of the hedge transaction) does not exceed the maximum cost of such Financing Transaction stipulated in the resolutions adopted in connection therewith, and otherwise to be on such terms as may be approved by the person or persons executing on behalf of the Corporation the agreements or instruments relating to such hedge transaction, the execution thereof by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Authorization of Certain Actions in Connection with Any Unsecured Debt

RESOLVED, that in connection with the issuance, incurrence, reissuance, redemption or repurchase by the Corporation of any unsecured debt (hereafter, "*Debt*") and/or warrants for the purchase of such Debt (hereafter, "*Warrants*"), the Authorized Officers (and, in the case of any Debt consisting of notes to be issued pursuant to any medium-term note program or facility of the Corporation (hereafter, "*Medium-Term Notes*") or Warrants for the purchase therefor, any officer or management employee of American Airlines, Inc. ("*American*") authorized in writing by an Authorized Officer) be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect the matters contemplated by any resolutions regarding any such Debt (including, without limitation, Debt consisting of any Medium-Term Notes) or Warrants adopted by the Board, including, without limitation, establishing, subject to any limitations included in any applicable resolutions adopted by the Board, some or all of the following: (a) the title or titles of any Debt or any series of Debt, (b) any further limit upon the aggregate principal amount of Debt which may be issued by the Corporation, such principal amount to be determined as of the time of issuance, (c) the date or dates on which the principal of and premium, if any, on any Debt is payable or the method of determination and/or extension of such date or dates, and the amount or amounts of such principal and premium, if any, payments, (d) the rate or rates at which any Debt shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates on which such interest shall accrue or the method by which such date or dates shall be determined, the interest payment dates on which any such interest shall be payable and, with respect to registered Debt, the regular record date, if any, for the interest payable on such Debt on any

interest payment date, (e) the place or places where the principal of, premium, if any, and interest, if any, on any Debt shall be payable, (f) the period or periods within which, the price or prices at which, the currency or currencies (including currency units) in which, and the other terms and conditions upon which, any Debt may be redeemed, in whole or in part, at the option of the Corporation and the manner in which particular securities or other evidences of Debt (if less than all the Debt of a given series is to be redeemed) are to be selected for redemption, (g) the obligation, if any, of the Corporation to redeem or purchase any Debt pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a holder thereof, and the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Debt shall be redeemed or purchased, in whole or in part, pursuant to such obligation, (h) the denominations in which any Debt shall be issuable, (i) the currency or currencies (including currency units) in which the principal of, premium, if any, and interest, if any, or other payments, if any, on any Debt shall be payable, or in which any Debt shall be denominated, and the particular provisions applicable thereto, (j) if payments of principal of, premium, if any, or interest, if any, or other payments, if any, on any Debt are to be made, at the election of the Corporation or of a holder of such Debt, in a currency or currencies (including currency units) other than that in which such Debt is denominated or designated to be payable, the currency or currencies (including currency units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, and the particular provisions applicable thereto, (k) if the amount of payments of principal of, premium, if any, and interest, if any, or other payments, if any, on any Debt may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on the price of one or more commodities, derivatives or securities; one or more securities, derivatives or commodities exchange indices or other indices; a currency or currencies (including currency units) other than that in which such Debt is denominated or designated to be payable; or any other variable or the relationship between any variables or combination of variables), the index, formula or other method by which such amounts shall be determined, (l) if other than the principal amount thereof, the portion of the principal amount of any Debt which shall be payable upon declaration of acceleration of the maturity thereof or the method by which such portion or amount shall be

determined, (m) the person to whom any interest on any registered Debt shall be payable (if other than the person in whose name that Debt is registered at the close of business on the regular record date for such interest) and the manner in which, or the person to whom, any interest on any bearer Debt shall be payable if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, (n) if the principal amount payable at the Maturity of any Debt will not be determinable as of one or more dates prior to maturity, the amount that will be deemed to be the principal amount of such Debt as of any such date, or that will be deemed to be outstanding as of any date prior to the stated maturity (or, in any such case, the manner in which such amount deemed to be the principal amount will be determined), (o) provisions, if any, granting special rights to the holders of any Debt upon the occurrence of such events as may be specified, (p) any deletions from, modifications of, or additions to, the events of default or covenants of the Corporation set forth in the indenture or other agreement pertaining to any Debt, (q) under what circumstances, if any, the Corporation will pay additional amounts on any Debt held by a person who is not a U.S. person in respect of taxes or similar charges withheld or deducted and, if so, whether the Corporation will have the option to redeem such Debt rather than pay such additional amounts (and the terms of any such option), (r) whether any Debt shall be issuable as a registered or bearer security (with or without interest coupons), or both, and any restrictions applicable to the offering, sale or delivery of bearer Debt and the terms upon which bearer Debt may be exchanged for registered Debt and vice versa, (s) the date as of which any bearer Debt and any temporary global security representing outstanding Debt shall be dated if other than the date of original issuance of the first such Debt to be issued, (t) the forms of securities representing any Debt and coupons, if any, pertaining thereto, (u) the applicability, if any, to any Debt of, and the terms of, any defeasance or covenant defeasance provisions, (v) the identity of any registrar and any paying agent relating to any Debt, (w) any terms which may be related to Warrants issued by the Corporation in connection with, or for the purchase of, any Debt, including whether and under what circumstances any Debt may be used toward the exercise price of any such Warrants, (x) the designation of the initial exchange rate agent, if any, relating to any Debt, (y) if any Debt shall be issued in whole or in part in global form, (i) the depositary for such global securities, (ii) the form of any legend that shall be borne by such global securities, (iii) whether beneficial owners of interests

in any Debt in global form may exchange such interests for certificated Debt of like tenor of any authorized form and denomination, and (iv) the circumstances under which any such exchange may occur, (z) if any Debt will be governed by, and the extent to which such Debt will be governed by, any law other than the laws of the State of New York, and (aa) any other terms of any Debt or Warrants as shall not be inconsistent with any applicable resolutions adopted by the Board relating to such Debt or Warrants, including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of such Debt or Warrant; the execution by any such person of any authentication instructions to the trustee under the indenture or other agreement relating to any Debt or to any authenticating or issuing agent thereunder, or of the supplemental indenture or indentures or loan or other agreements, documents, certificates or instruments covering any Debt, or the warrant agreement or warrant agreements or other agreements, documents, certificates or instruments covering any Warrants, as the case may be, to be conclusive evidence of the due authorization and approval thereof by the Corporation, including, without limitation, the due authorization and approval by the Corporation of the applicable matters referred to in clauses (a) through (aa) of this resolution.

Authorization of Certain Actions in
Connection with Any Tax-Exempt Financing

RESOLVED, that in connection with the financing or refinancing of the cost of facilities and related equipment, machinery and structures of the Corporation, American or any other subsidiary of the Corporation through one or more offerings of tax-exempt bonds ("*Tax-Exempt Bonds*") issued by governmental authorities authorized to issue such bonds in the relevant locations, whether inside or outside the United States, the Authorized Officers be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect such financing or refinancing and the sale of the Tax-Exempt Bonds, including, without limitation, the entry into and delivery of the following agreements and instruments with respect to any such financing or refinancing:

(1) a guaranty of the principal of, premium, if any, and interest on any series of Tax-Exempt Bonds issued in connection with any such financing or refinancing;

(2) one or more reimbursement agreements or other arrangements in connection with the issuance of letters of credit relating to any such financing or refinancing;

(3) a bond purchase agreement or remarketing agreement among the Corporation, American, any other subsidiary of the Corporation, the issuer of such Tax-Exempt Bonds, and such underwriters or remarketing agents as may be chosen (such underwriters and remarketing agents to be referenced, collectively, as the "*Underwriters*") relating to the purchase of such Tax-Exempt Bonds; and

(4) a securities law undertaking relating to such Tax-Exempt Bonds;

RESOLVED, that in order to further implement the foregoing resolution, the use by the Underwriters of a preliminary official statement or preliminary remarketing circular or other offering document or prospectus with respect to any such Tax-Exempt Bonds (the "*POS*"), each POS to contain such information as may be approved by an officer of the Corporation or of American (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation), be, and it hereby is, authorized and approved, and the use of a final official statement or remarketing circular or other offering document or prospectus relating to such Tax-Exempt Bonds, in substantially the same form as the POS, with such changes therefrom as may be approved by an officer of the Corporation or of American (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation) be, and it hereby is, authorized and approved; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more reimbursement agreements or other arrangements in connection with the renewal or replacement of letters of credit relating to payment of Tax-Exempt Bonds or any of the Corporation's obligations in connection therewith, such reimbursement agreements or other arrangements and letters of credit to be on such terms as may be approved by the person or persons executing such reimbursement agreements or other arrangements on behalf of the Corporation, and to enter into and deliver such other agreements and instruments as may be deemed by the person or persons executing the same on behalf of the Corporation to be necessary or advisable in connection therewith, the execution of such reimbursement agreements

or other arrangements and other agreements and instruments by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Miscellaneous

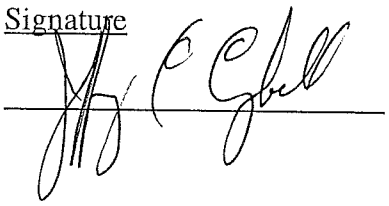
RESOLVED, that any officer of the Corporation be, and hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, to deliver any and all such further documents and instruments and to do any and all such acts or things as they or any of them may deem necessary or advisable fully to carry out the intent of the foregoing resolutions and of the Financing Transaction for which such resolutions are adopted.

EXHIBIT E

AMR CORPORATION

INCUMBENCY CERTIFICATE

The undersigned certifies that he is the Corporate Secretary of AMR Corporation (the "Company"), and that, as such, he is authorized to execute and deliver this certificate on behalf of the Company, and further certifies that each of the following persons now is and at all times since June 11, 2002 has been a duly elected and qualified officer or management employee of the Company, holding the office (or offices) or position in the Company set forth opposite his or her name below, and the signature appearing opposite each person's name is a specimen of his or her genuine signature.

Name	Office(s) or Position	Signature
Jeffrey C. Campbell	Senior Vice President - Finance and Chief Financial Officer	

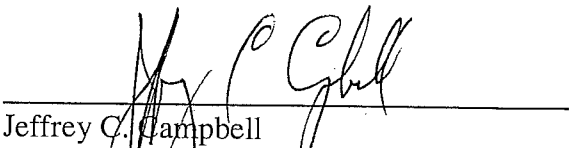
WITNESS the seal of the Company and the signature of the undersigned this _____ day of _____, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

The undersigned hereby certifies that Charles D. MarLett is the Corporate Secretary of the Company and that his signature appearing above is his genuine signature.

WITNESS the signature of the undersigned this 31st day of July, 2002.



Jeffrey C. Campbell
Senior Vice President - Finance
and Chief Financial Officer

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME IV

INDEX OF CLOSING DOCUMENTS

Document Number

1. Basic Lease.

2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).

3. First Supplemental Agreement to Port Authority Lease.

4. Agreement Towards Entering into a Lease.

5. Recognition, Non-Disturbance and Attornment Agreement.

6. Consent to Subleases and Leasehold Mortgage Agreement.

7. Company Sublease Agreement.

8. IDA Lease Agreement.

9. Master Indenture of Trust.

10. First Series Supplemental Indenture of Trust.

11. Second Series Supplemental Indenture of Trust.

12. American Airlines, Inc. Guaranty.

13. AMR Corporation Guaranty.

14. Form of Leasehold Mortgage and Security Agreement.

15. Equipment Security Agreement.

16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

DOCUMENTS DELIVERED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

Exhibit A

By-Laws of the Agency.

Exhibit B

Inducement and Authorizing Resolutions.

Exhibit C

Specimen Bonds.

Exhibit D

Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

Exhibit A

Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

DOCUMENTS DELIVERED BY AMR CORPORATION

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE BANK OF NEW YORK

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

UNDERWRITING DOCUMENTS

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

CERTIFICATE PURSUANT TO BOND PURCHASE AGREEMENT

I, the undersigned, Senior Vice President and Chief Financial Officer of AMR Corporation (the "Company"), do hereby make and execute this certificate pursuant to Section 9(d)(6) of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated July 25, 2002, among the New York City Industrial Development Agency, the Company, American Airlines, Inc. and Salomon Smith Barney Inc., on behalf of the Underwriters, relating to the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A, 2002B, ~~2002C and 2002D~~ (the "Bonds"). All capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement. I do hereby certify that, to the best of my knowledge:

(a) the representations and warranties of the Company contained in Section 6 of the Bond Purchase Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof; and

(b) the Company has complied with all terms of the Bond Purchase Agreement, the AMR Guaranty, the Consent to Subleases and the Undertaking to be complied with by it prior to or concurrent with the Closing Date.

IN WITNESS WHEREOF, the undersigned, being hereunto duly authorized, hereby executes this Certificate this July 31, 2002.

AMR CORPORATION

By: _____

Jeffrey C. Campbell
Senior Vice President - Finance
and Chief Financial Officer

Item 30

LETTER OF ACCEPTANCE

July 31, 2002

New York City Industrial
Development Agency
110 William Street
New York, New York 10038

Ladies and Gentlemen:

The undersigned hereby accepts the duties and obligations of Trustee and Paying Agent of the New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $120,000,000 (the "Series 2002A Bonds") and the New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $380,000,000 (the "Series 2002B Bonds"), imposed upon the undersigned pursuant to the terms and conditions of a Master Indenture of Trust, dated as of July 1, 2002, as supplemented by a First Series Supplemental Indenture of Trust, dated as of July 1, 2002 and as supplemented by a Second Series Supplemental Indenture of Trust, dated as of July 1, 2002, between said Agency and the undersigned.

Very truly yours,

THE BANK OF NEW YORK

By: Beverly Gardner
Beverly Gardner
Assistant Treasurer

THE BANK OF NEW YORK

CERTIFICATE AS TO RECEIPT OF DOCUMENTS,
INCUMBENCY AND AUTHENTICATION, DELIVERY, PAYMENT,
RECEIPT AND APPLICATION OF BOND PROCEEDS

The Bank of New York (the "Trustee"), as Trustee and Paying Agent for the $500,000,000 Special Facility Revenue Bonds, Series 2002 (American Airlines, Inc., John F. Kennedy International Airport Project) (the "Bonds") of the New York City Industrial Development Agency (the "Agency") pursuant to the terms and conditions of the Master Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee (the "Master Indenture") as supplemented by a First Series Supplemental Indenture of Trust and a Second Series Supplemental Indenture of Trust, each dated as of July 1, 2002 (as supplemented, the "Indenture") (capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Indenture), HEREBY CERTIFIES as follows:

1. The Indenture, the Company Guaranty, the AMR Guaranty, the Consent Agreement and the Equipment Security Agreement were executed and delivered in the name and on behalf of the undersigned, as Trustee, by one of its duly authorized officers and the execution and delivery of the Leasehold Mortgage was duly authorized by the Trustee.

2. It has received the documents required by the Indenture to be received by it as conditions precedent to the delivery of the Bonds.

3. It has received the Bonds and upon the order of the Agency has authenticated the Bonds by manually executing on the Bonds a certificate in the following form:

"TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the [Series 2002A] [Series 2002B] Bonds described in the within mentioned [First] [Second] Series Supplemental Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____, 2002"

4. Each person who, on behalf of the Trustee, executed and delivered the Indenture, the Company Guaranty, the AMR Guaranty, the Consent Agreement and the Equipment Security Agreement or authenticated the Bonds was at the date thereof and is now duly elected, appointed or authorized, qualified and acting as an officer or authorized signatory of the Trustee and duly authorized to perform such acts at the respective times of such acts and the signatures of such persons appearing on such documents and the Bonds are their genuine signatures.

5. Attached hereto are (i) an extract from the By-laws of the Trustee, duly adopted by its Board of Directors, respecting the signing authority of the persons mentioned above in paragraph 4, and (ii) a letter from an Executive Vice President of the undersigned authorizing, pursuant to such By-laws, such signing authority, which By-laws and letter at the date hereof are in full force and effect.

6. It has examined the forms of the Bonds authenticated and delivered by it and found the same to be substantially in the forms prescribed by the Indenture.

7. At the request of the Agency, it has delivered the Bonds to Salomon Smith Barney Inc. (the "Underwriter"), upon delivery by the Underwriter to the Agency of a wire in the amount of $475,974,866.67 which consists of the aggregate principal amount of the Bonds, less the Underwriter's discount of $2,625,000 and less original issue discount of $24,891,800, plus accrued interest of $3,491,666.67.

8. It has received on behalf of the Agency the aforementioned wire in the amount of $475,974,866.67 representing the said purchase price for the Bonds, for deposit of $800,000.00 in the Series 2002A Interest Account of the Bond Fund and $2,691,666.67 in the Series 2002B Interest Account of the Bond Fund; $102,043,440.00 in the Series 2002A Construction Account of the Project Fund and $322,928,940.00 in the Series 2002B Construction Account of the Project Fund; and $11,408,160.00 into the Series 2002A Debt Service Reserve Account of the Debt Service Reserve Fund and $36,102,660.00 into the Series 2002B Debt Service Reserve Account of the Debt Service Reserve Fund in accordance with Section 4.01 of the Master Indenture, Section 3.02 of the First Series Supplemental Indenture and Section 4.02 of the Second Series Supplemental Indenture.

IN WITNESS WHEREOF, THE BANK OF NEW YORK has caused this certificate to be executed in its corporate name by an officer thereunto duly authorized.

Dated: July 31, 2002

THE BANK OF NEW YORK

By: _____

Name: Kisha A. Holder
Title: Assistant Treasurer

SIGNING AUTHORITIES
Extracts from By-Laws
Of
THE BANK OF NEW YORK
ARTICLE VI
As amended through July 11, 2000

SECTION 6.1 Real Property

Real property owned by the Bank in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Bank in its own right with such maximum values as the Board may fix in its authorizing resolution.

SECTION 6.2 Senior Signing Powers

Subject to the exception provided in Section 6.1, the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of or on behalf of, the Bank in all transactions arising out of, or in connection with, the normal course of the Bank's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Bank thereto. In such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the posers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Bank authorized in or pursuant to Section 6.3 to have any of the powers set forth therein, other than the officer signing pursuant to the Section 6.2, is authorized to attest to the seal of the Bank on any documents requiring such seal.

SECTION 6.3 Limited Signing Powers

Subject to the exception provided in Section 6.1, in such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Bank to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

SECTION 6.4 Powers of Attorney

All powers of attorney on behalf of the Bank shall be executed by any officer of the Bank jointly with the Chairman of the Board, the President, any Vice Chairman, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors and, at foreign branches only, by any two officers provided one of such officers is the Branch Manager.

SECTION 6.5 Auditor

The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Bank, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Section 6.3 of the By-laws

RESOLVED, that, pursuant to Section 6.3 of the By-laws of The Bank of New York, authority be, and hereby is, granted to the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below.

(B) Authority to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Bank; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; legal opinion; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Bank's business.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an unlimited dollar amount.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $1,000,000.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $250,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $50,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $5,000.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Bank as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Bank in trust or in connection with any transaction with respect to which the Bank is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I) Authority to effect the movement of securities outside the bank.

(J) Authority to either sign on behalf of the Bank or to affix the seal of the Bank to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Bank in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Company.

CORPORATE TRUST DIVISION
OFFICIAL SIGNING POWER AUTHORITY

Pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York, I hereby convey the signing authorities noted next to the following individuals:

NAME	TITLE	SIGNING POWER AUTHORITY
Mark F. Ferraris	Senior Vice President	Section 6.2
James R. Keenan	Senior Vice President	Section 6.2
Ian K. Stewart	Senior Vice President	Section 6.2
Richard Costantino	Senior Vice President	Section 6.2
Michael J. Pellino	Senior Vice President	Section 6.2
Fernando Acebedo	Vice President	Section 6.2
Barbara Aubry	Vice President	Section 6.2
Corey Babarovich	Vice President	Section 6.2
Richard H. Babb	Vice President	Section 6.3A, J
Eileen Barat	Vice President	Section 6.2
John Barbera	Vice President	Section 6.2
Geovanni Barris	Vice President	Section 6.2
Courtney A. Bartholomew	Vice President	Section 6.2
Barbara A. Bevelaqua	Vice President	Section 6.2
David L. Bhame	Vice President	Section 6.2
Trevor R. Blewer	Vice President	Section 6.2
Thomas J. Bogert	Vice President	Section 6.2
Van K. Brown	Vice President	Section 6.2
Gary S. Bush	Vice President	Section 6.2
Robert L. Cascone	Vice President	Section 6.2
Cynthia J. Chaney	Vice President	Section 6.2
Jane S. Chester	Vice President	Section 6.2
Jacalyn L. Choy	Vice President	Section 6.3, C1, F
Margaret Ciesmelewski	Vice President	Section 6.2
Betty A. Cocozza	Vice President	Section 6.2
Rosemary Cosentino	Vice President	Section 6.2
Kevin Cremin	Vice President	Section 6.2
Lisa D'Angelo	Vice President	Section 6.2
Elizabeth DaSilva	Vice President	Section 6.2
Frank Driscoll	Vice President	Section 6.3A
Carmela Ehret	Vice President	Section 6.2
Alexis I. Epifan	Vice President	Section 6.2
Joseph Ernst	Vice President	Section 6.2
Gerard F. Facendola	Vice President	Section 6.2
Lucille Firrincieli	Vice President	Section 6.2
Jack Fruchtman	Vice President	Section 6.2
Patricia Gallagher	Vice President	Section 6.2
Joseph F. Giunto	Vice President	Section 6.2
Christopher J. Grell	Vice President	Section 6.3A, J
Robert L. Griffin	Vice President	Section 6.2
John M. Guiliano	Vice President	Section 6.2
Marcus Gustafson	Vice President	Section 6.2
Margaret P. Guzzetta	Vice President	Section 6.3A
James W.P. Hall	Vice President	Section 6.2

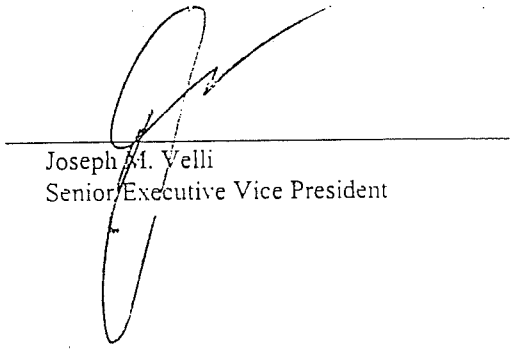
NAME	TITLE	SIGNING POWER AUTHORITY
Emma Hamley	Vice President	Section 6.2
Andrea Harris	Vice President	Section 6.3A, J
Hector S. Herrera	Vice President	Section 6.2
Steven Hodgetts	Vice President	Section 6.2
Jennifer J. Houle	Vice President	Section 6.2
Sharon Jaffe-Goser	Vice President	Section 6.2
Harley Jeanty	Vice President	Section 6.2
Mary LaGumina	Vice President	Section 6.2
Cheryl L. Laser	Vice President	Section 6.2
Victoria P. Lau	Vice President	Section 6.3A
Noraida Lauro	Vice President	Section 6.2
Mary Beth A. Lewicki	Vice President	Section 6.2
James E. Logan	Vice President	Section 6.2
Matthew Lombardi	Vice President	Section 6.3A, J
Joseph A. Lopomo	Vice President	Section 6.2
Loretta A. Lundberg	Vice President	Section 6.2
Douglas J. MacInnes	Vice President	Section 6.2
Douglas J. Magnolia	Vice President	Section 6.2
Philip A. Martone	Vice President	Section 6.2
Robert A. Massimillo	Vice President	Section 6.2
Kenneth T. McGraw	Vice President	Section 6.2
Mark McLaughlin	Vice President	Section 6.2
Meredith McRae	Vice President	Section 6.2
Dorothy Miller	Vice President	Section 6.2
Rafael E. Miranda	Vice President	Section 6.3 C1, F
Glenn E. Mitchell	Vice President	Section 6.2
Thomas J. Musarra	Vice President	Section 6.2
David J. O'Brien	Vice President	Section 6.3A, J
Lawrence J. Olsen	Vice President	Section 6.2
Mauro Palladino	Vice President	Section 6.2
Joseph Panepinto	Vice President	Section 6.2
Susan Panzer-Eichholz	Vice President	Section 6.3A
Romano I. Peluso	Vice President	Section 6.2
Diane Pickett	Vice President	Section 6.2
Jerome A. Piechocki	Vice President	Section 6.2
John Polito	Vice President	Section 6.2
Christopher F. Pool	Vice President	Section 6.2
Thomas J. Provenzano	Vice President	Section 6.2
Susan Pszonek	Vice President	Section 6.3A, J
Kenneth Racioppo	Vice President	Section 6.2
Terence T. Rawlins	Vice President	Section 6.2
Remo J. Reale	Vice President	Section 6.2
Robert W. Rich	Vice President	Section 6.2
Michael Sabatino	Vice President	Section 6.2
Julie D. Salovitch-Miller	Vice President	Section 6.2
Pasquale Santivasci	Vice President	Section 6.3A, J
Debra A. Schwalb	Vice President	Section 6.2
Paul J. Schmalzel	Vice President	Section 6.2
Andres E. Serrano	Vice President	Section 6.2
Kelly A. Sheahan	Vice President	Section 6.2
Ming Shiang	Vice President	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Laura M. Shields	Vice President	Section 6.2
Vincent Sicari	Vice President	Section 6.3A
Irene Siegel	Vice President	Section 6.2
Nicholas S. Signoretta	Vice President	Section 6.2
Thomas W. Simons	Vice President	Section 6.2
Kenneth Soderstrom	Vice President	Section 6.3 C1, F
Alan P. Spater	Vice President	Section 6.3A
Brian V. Swords	Vice President	Section 6.3A
Thomas E. Tabor	Vice President	Section 6.2
Francisco Talavera	Vice President	Section 6.2
Michael J.S. Thomson	Vice President	Section 6.2
Steven D. Torgeson	Vice President	Section 6.2
Arlene Tramble	Vice President	Section 6.2
Leonard Trueblood	Vice President	Section 6.2
Steven V. Vaccarello	Vice President	Section 6.3A, J
Thomas Vlahakis	Vice President	Section 6.2
Max Volmar	Vice President	Section 6.2
Herbert W. Weber	Vice President	Section 6.3A, J
Paul Wilden	Vice President	Section 6.2
Todd M. Winchel	Vice President	Section 6.2
Louis P. Young	Vice President	Section 6.2
Thomas B. Zakrzewski	Vice President	Section 6.2
Robert M. Zaratin	Vice President	Section 6.3A
Rashna Ahmed	Asst. Vice President	Section 6.2
David H. Beaty	Asst. Vice President	Section 6.2
Carolyn L. Bolden	Asst. Vice President	Section 6.3A
Miguel Barrios	Asst. Vice President	Section 6.2
Cynthia W. Brown	Asst. Vice President	Section 6.2
Stephen M. Bruce	Asst. Vice President	Section 6.2
Catherine L. Cerilles	Asst . Vice President	Section 6.2
Alex T. Chang	Asst. Vice President	Section 6.2
Janie K. Choi	Asst. Vice President	Section 6.2
Louise J. Clayden	Asst. Vice President	Section 6.2
Sharon N. Coker	Asst. Vice President	Section 6.2
John DiGiannantonio	Asst. Vice President	Section 6.3A
Sirojni L. Dindial	Asst. Vice President	Section 6.2
Mia L. Drennan	Asst. Vice President	Section 6.2
Maria Eisen	Asst. Vice President	Section 6.2
Marilyn Evans	Asst. Vice President	Section 6.3, C1, F
Eric D. Fredrikson	Asst. Vice President	Section 6.3A
Beverly A. Freeney	Asst. Vice President	Section 6.2
Lisa A. Geary	Asst. Vice President	Section 6.3A, J
Jacqueline Geisen	Asst. Vice President	Section 6.2
Richard Haberstroh	Asst. Vice President	Section 6.2
Thomas Hacker	Asst. Vice President	Section 6.2
Michael C. Hieb	Asst. Vice President	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Kalliope Kateris	Asst. Vice President	Section 6.3A, J
Robert Keenan	Asst. Vice President	Section 6.3 C1, F
Annette Kos	Asst. Vice President	Section 6.2
Glenn Kunak	Asst. Vice President	Section 6.3A, J
Marie LaDolcetta	Asst. Vice President	Section 6.2
Edgar R. Lago	Asst. Vice President	Section 6.2
Wei Lai	Asst. Vice President	Section 6.3A
Joseph M. Lawlor	Asst. Vice President	Section 6.2
Tai B. Lee	Asst. Vice President	Section 6.2
Deirdre M. Lewis	Asst. Vice President	Section 6.2
Matthew G. Louis	Asst. Vice President	Section 6.2
Lawrence Lubicich	Asst. Vice President	Section 6.3A
Carlos R. Luciano	Asst . Vice President	Section 6.2
Vanessa Mack	Asst. Vice President	Section 6.2
Joseph Mate	Asst. Vice President	Section 6.2
Sonal Mehta	Asst. Vice President	Section 6.2
Miriam Y. Molina	Asst. Vice President	Section 6.3A, J
Thomas C. Monahan	Asst. Vice President	Section 6.2
Dennis Mooney	Asst. Vice President	Section 6.3 C1, F
Ira Nydick	Asst. Vice President	Section 6.2
Patricia O'Neill-Manella	Asst. Vice President	Section 6.2
Sunjeeve Patel	Asst. Vice President	Section 6.2
Paul V. Pereira	Asst. Vice President	Section 6.2
Luis Perez	Asst. Vice President	Section 6.2
Norma Perry	Asst. Vice President	Section 6.3A
Patricia M. Phillips	Asst. Vice President	Section 6.2
Michael Pitfick	Asst. Vice President	Section 6.2
Melissa G. Jeffers Quan-Soon	Asst. Vice President	Section 6.2
Martin G. Reed	Asst. Vice President	Section 6.2
Mary Ann Reilly	Asst. Vice President	Section 6.3A, J
Yvette Rivera	Asst. Vice President	Section 6.2
Kate Russell	Asst. Vice President	Section 6.2
Ciro J. Russo	Asst. Vice President	Section 6.3, C1, F
Michele L. Russo	Asst. Vice President	Section 6.2
William J. Sachelari	Asst. Vice President	Section 6.2
Cassandra D. Shedd	Asst . Vice President	Section 6.2
Donald Tagliareni	Asst. Vice President	Section 6.3 C1, F
Scott J. Tepper	Asst. Vice President	Section 6.2
Erica C. Thomas	Asst. Vice President	Section 6.3, C1, F
Deborah Todak	Asst. Vice President	Section 6.3A, J
Henry Tong	Asst. Vice President	Section 6.2
Marie E. Trimboli	Asst . Vice President	Section 6.2
Craig S. Wenzler	Asst. Vice President	Section 6.2
Michael White	Asst. Vice President	Section 6.2
Michael Abramowitz	Assistant Treasurer	Section 6.3,F
Julius Antoine	Assistant Treasurer	Section 6.3, C1, F
David Ayerdis	Assistant Treasurer	Section 6.3, C1, F
Aldrin M.F. Bayne	Assistant Treasurer	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
John Bobko	Assistant Treasurer	Section 6.2
Theresa A. Botros	Assistant Treasurer	Section 6.3, C1, F
Pierre Boutros	Assistant Treasurer	Section 6.2
Lorraine A. Broadnex	Assistant Treasurer	Section 6.3, C1, F
Laura V.T. Chang	Assistant Treasurer	Section 6.3A, J, N
Linda Corbo	Assistant Treasurer	Section 6.3A, J
John P. Curry	Assistant Treasurer	Section 6.3, C1, F
Barbara J. Dean	Assistant Treasurer	Section 6.2
Joseph S. Denno	Assistant Treasurer	Section 6.3, F
Scott DeRoss	Assistant Treasurer	Section 6.3, C1, F
Kelvyn A.H. Ee	Assistant Treasurer	Section 6.3A, J, N
Cirino Emanuele	Assistant Treasurer	Section 6.3, C1, F
Venita Forde	Assistant Treasurer	Section 6.3, C1, F
Claire J. Fortunato	Assistant Treasurer	Section 6.3, C1, F
Kevin J. Fox	Assistant Treasurer	Section 6.2
Beverly Gardner-Samuel	Assistant Treasurer	Section 6.2
Karon F. Greene	Assistant Treasurer	Section 6.2
Kisha A. Holder	Assistant Treasurer	Section 6.2
Beata Hryniewicka	Assistant Treasurer	Section 6.2
Peter C. Hyland	Assistant Treasurer	Section 6.3, C1, F
Teresita Izar	Assistant Treasurer	Section 6.3, C1, F
Mark Jagoda	Assistant Treasurer	Section 6.3, C1, F
Michael L. Jamison	Assistant Treasurer	Section 6.2
Barbara Kacznar	Assistant Treasurer	Section 6.2
Seong M. Kim	Assistant Treasurer	Section 6.3A
Joann LaBarbera	Assistant Treasurer	Section 6.3, C1, F
Helen H. Lam	Assistant Treasurer	Section 6.2
Joseph A. Lloret	Assistant Treasurer	Section 6.2
William E. Lovett	Assistant Treasurer	Section 6.2
Verna Maitland	Assistant Treasurer	Section 6.3, C1, F
Mary J. Meadows	Assistant Treasurer	Section 6.3, C1, F
Lina Millard	Assistant Treasurer	Section 6.3, C1, F
Alison Mitchell	Assistant Treasurer	Section 6.2
Miriam Moraca	Assistant Treasurer	Section 6.3A, J
Fernando A. Moreyra	Assistant Treasurer	Section 6.2
Amedeo Morreale	Assistant Treasurer	Section 6.3, F
Brian C. Morro	Assistant Treasurer	Section 6.2
Christopher W. Palermo	Assistant Treasurer	Section 6.2
Paul Patralites	Assistant Treasurer	Section 6.3A, F
Rosemary Phillips	Assistant Treasurer	Section 6.3, C1, F
Stacey Poindexter	Assistant Treasurer	Section 6.2
Daniel Rothman	Assistant Treasurer	Section 6.2
Christopher T. Rusert	Assistant Treasurer	Section 6.2
Robert Schneck	Assistant Treasurer	Section 6.3, C1, F
Keith Schott	Assistant Treasurer	Section 6.2
Timothy J. Shea	Assistant Treasurer	Section 6.2
Michael L. Shelton	Assistant Treasurer	Section 6.2
Christine Singer	Assistant Treasurer	Section 6.2
Erwin Soriano	Assistant Treasurer	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Lori-Ann Soriano	Assistant Treasurer	Section 6.3A, J
Edward Souter	Assistant Treasurer	Section 6.3, C1, F
Darrel X. Thompson	Assistant Treasurer	Section 6.3, C1, F, I
Jennifer Valenti	Assistant Treasurer	Section 6.2
Neil F. Williamson	Assistant Treasurer	Section 6.2
Paul Zhang	Assistant Treasurer	Section 6.3, C1, F



Joseph M. Velli
Senior Executive Vice President

CORPORATE TRUST DIVISION
LIST OF NON-OFFICIALS
SIGNING AUTHORITY

NAME	SIGNING POWER AUTHORITY
Frank Adinolfe	Section N
Theresa C. Antoine-Mitchell	Section N
Erica Bryant	Section N
Karl Burgess	Section 6.3, C1, F, I
Laura Canales	Section 6.3, C1, F
Shirley Canty	Section N
Nicole C. Caprio	Section 6.3, C1, F, I
Carlos Casasnovas	Section N
William Cassels	Section 6.3, C1, F
Pensador Castro	Section 6.3, C1, F
Sophie Chang	Section 6.3, C1, F
Yu-Lun (Elaine) Chao	Section 6.3, C1, F
Wilberto Colon	Section 6.3, C1, F, H
Rosita J. Conde	Section 6.3, H
Christine S. Conway	Section 6.3, N
Sonia Cruz	Section 6.3, C1, F
Linh Dao	Section 6.3, C1, F
Essie Elcock	Section 6.3, C1, F
Bernardine M. Ferguson	Section 6.3, C1, F
Louann Fernandez	Section 6.3, C1
Jeremy Finkelstein	Section 6.3, C1, F, I
Patricia A. Gagnon	Section 6.3, N
Edward Gonzalez	Section 6.3, C1, F
Evangeline R. Gonzales	Section 6.3, C1, F
Rosilyn Goodrich	Section 6.3, C1, F
Eric A. Halperin	Section 6.3, C1
Tara E. Hanley	Section 6.3, C1, F
Cecilia Hill	Section 6.3, N
Robert Hirsch	Section 6.3, C1, F, I
Roogin Jhingoor	Section 6.3, C1, F

NAME	SIGNING POWER AUTHORITY
Regina F. Johnson	Section 6.3, C1, F
Lennox P. Jones	Section N
Benjamin T. Laurenzi	Section 6.3, C1, F
Ada L. Li	Section 6.3, C1, F
Enrique Lopez	Section 6.3, C1, F
Laura Lopez	Section 6.3, C1, F
Eileen Lostetter	Section 6.3, C1, F
Julianne Medici	Section N
Melissa Minneci	Section 6.3, C1, F, I
Konstantin Mirnitchenko	Section 6.3, C1, F
Herbert Moise	Section 6.3, C1, F
Chitkumari Narain	Section 6.3, C1, F
Jean F. Newman	Section 6.3, C1
Bridgette Oakley	Section N
Henry Ortiz	Section 6.3, C1, F
Linda Ortiz	Section 6.3, C1, F
Dario Parente	Section 6.3, C1, F, I
Laureen Pascal	Section 6.3, C1, F, H, I, N
Sudhanshu R. Patel	Section 6.3, C1, F
Sandra Reimers-Vincent	Section 6.3, C1, F
Leticia Robles	Section 6.3, C1, F
Circe M. Saint-Fleur	Section 6.3, C1, F
Rolando Salazar	Section 6.3, C1, F
Antoinette Santoro	Section 6.3, C1, F, I
Lloyd Sarfaty	Section N
O.D. Scott, Jr.	Section 6.3H
Ula Seaforth	Section 6.3, C1, F, I
Stevenson E. Selman	Section 6.3, C1, F
Joseph Shields	Section 6.3, C1, F
Beverly A. Steele	Section 6.3, C1, F
Lorenzo M. Sterling	Section 6.3, C1, I
Debbie Stoddart	Section 6.3, C1, F

NAME	SIGNING POWER AUTHORITY
Shanna Sukhnanan	Section 6.3, C1,F,H,I,N
Sherma Thomas	Section 6.3, C1
Diana Torres	Section 6.3, C1, F
Janet Torres	Section 6.3, C1, F
Phoung Tran	Section 6.3, C1, F
Sandra Vega-Aviles	Section 6.3, C1, F
Mavis A. Walfall	Section 6.3, C1, F
Gregg S. Weissman	Section 6.3, C1, F
Janet Wong	Section 6.3, C1, F
Sook Yap	Section 6.3, C1, F
Simona Zigelboym	Section 6.3, C1, F
Charlene A. Zuljevic	Section 6.3, C1, F

Joseph M. Velli
Senior Executive Vice President

EXHIBIT F

Certificate of Port Authority

I, Francis DiMola, certify that I am the duly qualified and acting Assistant Director (Properties and Commercial Development) of the Aviation Department of the Port Authority of New York and New Jersey (the *"Port Authority"*). Capitalized terms used herein without definition shall have the meanings specified in the Consent to Subleases and Leasehold Mortgage Agreement to be dated July 31, 2002 (the *"Consent Agreement"*). I further certify, in connection with the issuance by the New York City Industrial Development Agency of $500,000,000 aggregate principal amount of its Special Facility Revenue Bonds, Series 2002A and Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project), pursuant to Section 4.2 of the Consent Agreement, that the Port Authority has received (1) the form of Leasehold Mortgage, which is in the same form as Exhibit G of the Consent Agreement (which includes a copy of the Consent Agreement and Section 92 as attachments thereto), and on such basis such form of Leasehold Mortgage is acceptable; and (2) the opinion given by the Company's counsel with respect to the Leasehold Mortgage, which is in the form of Exhibit J of the Consent Agreement.

Dated July 31, 2002

Assistant Director
(Properties and Commercial Development)
Aviation Department

circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 15, 2002

New Issue — Book-Entry-Only

In the opinion of Winston & Strawn, New York, New York, Bond Counsel, under existing statutes and court decisions, assuming the accuracy of certain representations and certifications and continuing compliance with certain covenants, interest on the Series 2002 Bonds is not included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). No opinion is expressed by Bond Counsel as to the exclusion from gross income of interest on any Series 2002 Bond during the period that such Series 2002 Bond is held by a "substantial user" of the facilities financed by the Series 2002 Bonds or a "related person" within the meaning of Section 147 (a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2002 Bonds will be treated as a preference item to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2002 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York, and that the Series 2002 Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State, except for transfer and estate taxes. See "TAX MATTERS" in this Official Statement.

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$92,955,000* Series 2002A
$96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

Dated: July 1, 2002

Maturities: as shown on the inside front cover

Long-Term Interest Rates: as shown on the inside front cover

The Series 2002A Bonds, the Series 2002B Bonds, the Series 2002C Bonds and the Series 2002D Bonds (collectively, the *"Series 2002 Bonds"*) are being issued by the New York City Industrial Development Agency (the *"Agency"*) to provide funds to finance a portion of the cost of the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) and the acquisition, construction and equipping of a new passenger terminal and related facilities at the Airport (the *"Facility"*) for use by American Airlines, Inc. (the *"Company"*), to reimburse the Company for the payment of such costs, and to pay costs of issuance related to the Series 2002 Bonds. The Series 2002 Bonds are special revenue obligations of the Agency and will be payable (except to the extent payable from proceeds of the Series 2002 Bonds and certain other moneys pledged therefor) solely from payments to be made pursuant to an IDA Lease Agreement between the Agency and

American Airlines, Inc.

Payment of the principal and purchase price of, premium, if any, and interest on the Series 2002 Bonds when due will also be unconditionally guaranteed by the Company and by

AMR Corporation

pursuant to the terms of separate Guaranties (the *"Guaranties"*) from the Company and AMR Corporation ("AMR"). The land on which the Facility is to be located, together with certain buildings, structures, improvements and related facilities on such land (the *"Premises"*), have been subleased to the Company by The Port Authority of New York and New Jersey pursuant to the Port Authority Lease (as defined herein) which, unless extended, expires on December 27, 2015. Upon substantial completion of the buildings, structures, improvements and related facilities constituting the Facility, excluding moveable equipment (the *"Leased Facilities"*), and the satisfaction of certain other requirements as described herein, the Company is obligated to grant a leasehold mortgage to The Bank of New York (the *"Leasehold Mortgagee"*) upon the Company's leasehold interest in the Premises (which includes the Leased Facilities) under the Port Authority Lease as described herein (the *"Leasehold Mortgage"*). If it becomes effective, the Leasehold Mortgage will secure the payment obligations of the Company and AMR under the Guaranties. **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities are substantially completed and certain other conditions described herein are satisfied. The ability of the Leasehold Mortgagee to relet the Premises pursuant to the Leasehold Mortgage is subject to significant limitations and preconditions as described herein.**

The Series 2002 Bonds are special and limited obligations of the Agency, payable as to the principal, redemption price, if applicable, and purchase price thereof, and interest thereon, solely from the Trust Estate (as defined herein). Neither the State of New York (the *"State"*), nor any political subdivision thereof, including The City of New York (the *"City"*), shall be obligated to pay the principal, redemption price, if applicable, or purchase price of, or interest on, the Series 2002 Bonds. Neither the faith and credit nor the taxing power of the State, nor any political subdivision thereof, including the City, is pledged to such payment of the Series 2002 Bonds. The Series 2002 Bonds will not be payable out of any funds of the Agency other than those pledged therefor pursuant to the Indenture (as defined herein). The Series 2002 Bonds will not give rise to a pecuniary liability or charge against the credit or taxing powers of the State or any political subdivision thereof, including the City. The Agency has no taxing power.

Interest on the Series 2002 Bonds will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of the Series 2002 Bonds will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. Payments of principal, premium, if any, purchase price and interest will be made to purchasers by DTC through its participants.

The Series 2002 Bonds will be subject to optional, extraordinary optional, sinking fund and mandatory redemption prior to their respective maturity dates, in each case at the redemption prices, in the manner and at the times set forth in this Official Statement.

INVESTMENT IN THE SERIES 2002 BONDS INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE GIVEN PARTICULAR ATTENTION BY PROSPECTIVE PURCHASERS OF THE SERIES 2002 BONDS.

The Series 2002 Bonds are offered when, as and if issued by the Agency and accepted by the Underwriters, subject to prior withdrawal or modification of the offer without notice, the approval of legality by Winston & Strawn, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Richard E. Marshall, Vice President for Legal Affairs. Certain legal matters will be passed upon for AMR Corporation and American Airlines, Inc. by Anne H. McNamara, Senior Vice President and General Counsel of AMR Corporation and of American Airlines, Inc., and for the Underwriters by their counsel, Chapman and Cutler, Chicago, Illinois. It is expected that delivery of the Series 2002 Bonds in definitive form will take place through the facilities of DTC on or about July , 2002.

Salomon Smith Barney

Merrill Lynch & Co. | JPMorgan

Bear Stearns & Co. Inc.

BNY Capital Markets, Inc. | Morgan Stanley | SunTrust Capital Markets

, 2002

* Preliminary, subject to change.

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$ 92,955,000* Series 2002A
$ 96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

$92,955,000* Series 2002A Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$28,215,000*	August 1, 2017*	____%	____%
$64,740,000*	August 1, 2022*	____%	____%

$96,590,000* Series 2002B Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$96,590,000*	August 1, 2027*	____%	____%

$144,465,000* Series 2002C Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$144,465,000*	August 1, 2032*	____%	____%

$165,990,000* Series 2002D Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$165,990,000*	August 1, 2036*	____%	____%

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* Preliminary, subject to change.

The information contained in this Official Statement (which term shall be deemed to include the Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained from the Agency, the Company, AMR Corporation ("*AMR*") and other sources deemed reliable. The information concerning DTC has been obtained from DTC. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the Agency, the Company or AMR since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the Agency, the Company, AMR or the underwriters named on the cover page hereof (the "*Underwriters*") to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE CITY OF NEW YORK

Michael R. Bloomberg, Mayor

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
110 William Street
New York, New York 10038

Board of Directors

Andrew M. Alper, Chairman
Derek B. Park, Vice Chairman
Amanda M. Burden, Chair of the City Planning Commission of The City of New York (*ex officio*), Eric Kober, alternate
William C. Thompson, Comptroller of The City of New York (*ex officio*), Rita J. Sallis, alternate
Daniel L. Doctoroff, Deputy Mayor for Economic Development and Rebuilding of The City of New York (*ex officio*), Roy Bahat, Alternate
Michael A. Cardozo, Esq., Corporation Counsel of The City of New York (*ex officio*), Leonard Wasserman, Esq., alternate
Irvin K. Culpepper, Jr.
Joseph Isaac Douek
Bernard Haber
Gary L. Herman
Julius Rendinaro
Alan L. Rivera, Esq.
E. Rico Velez (pending appointment)
Marilyn Weitzman

Administration

Barbara Basser-Bigio, Executive Director
Carolyn Edwards, Deputy Executive Director
Richard E. Marshall, Esq., Vice President for Legal Affairs
Deo Singh, Treasurer

OFFICIAL STATEMENT

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$ 92,955,000* Series 2002A
$ 96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

INTRODUCTORY STATEMENT

This Official Statement, including the cover, the inside front cover, the table of contents, the Appendices and all documents incorporated herein by reference, is provided to furnish information in connection with the sale by the New York City Industrial Development Agency (the *"Agency"*) of its (i) Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $92,955,000* (the *"Series 2002A Bonds"*), (ii) Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $96,590,000* (the *"Series 2002B Bonds"*), (iii) Special Facility Revenue Bonds, Series 2002C (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $144,465,000* (the *"Series 2002C Bonds"*) and (iv) Special Facility Revenue Bonds, Series 2002D (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $165,990,000* (the *"Series 2002D Bonds"*). The Series 2002A Bonds, the Series 2002B Bonds, the Series 2002C Bonds and the Series 2002D Bonds (collectively, the *"Series 2002 Bonds"*) will be issued pursuant to and secured by a Master Indenture of Trust dated as of July 1, 2002 (the *"Master Indenture"*), as supplemented by a First Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002A Bonds), a Second Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002B Bonds), a Third Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002C Bonds) and a Fourth Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002D Bonds) (collectively, the *"Indenture"*) between the Agency and The Bank of New York, New York, New York, as trustee (the *"Trustee"*).

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE OF NEW YORK (THE *"STATE"*), NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE *"CITY"*), SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING

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* Preliminary, subject to change.

THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR, PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The Series 2002 Bonds are being issued to provide funds to finance a portion of the costs of the *"Project"* which consists of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) in Queens, New York, and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps (the *"Facility"*) to be used and managed by American Airlines, Inc., a Delaware corporation (the *"Company"*). The land on which the Facility is to be located, together with the buildings, structures, improvements and related facilities on such land (the *"Premises"*), are owned by the City and are leased by the City to The Port Authority of New York and New Jersey (the *"Port Authority"*) pursuant to an Agreement of Lease dated April 17, 1947, as amended and supplemented (the *"Basic Lease"*). The Basic Lease is currently scheduled to expire on December 31, 2015. The Premises have been subleased by the Port Authority to the Company pursuant to an Agreement of Lease entered into as of August 1, 1976, as supplemented and amended and as further supplemented, amended and restated in an Amended and Restated Lease dated as of December 22, 2000, as further supplemented, amended or modified from time to time (the *"Port Authority Lease"*). The Port Authority Lease is currently scheduled to expire on December 27, 2015 (subject to extension(s)). The Company and the Agency will enter into a Company Sublease Agreement dated as of July 1, 2002 (the *"Company Sublease"*), pursuant to which the Company will sub-sublease to the Agency those portions of the Premises (but excluding any portion of the underlying land) subject to the Port Authority Lease which constitute the Facility (the *"Leased Facilities"*). Pursuant to an IDA Lease Agreement dated as of July 1, 2002 (the *"IDA Lease Agreement"*), the Agency will sub-sub-sublease the Leased Facilities, and lease certain equipment to be owned by the Agency and to be located at the Premises (the *"Facility Equipment"*), to the Company. The Leased Facilities and the Facility Equipment constitute the Facility.

The Company will be unconditionally obligated under the IDA Lease Agreement to make lease rental payments directly to the Trustee in an amount sufficient to pay the principal, redemption price, if applicable, and purchase price of, and interest on, all bonds issued under the Indenture, including the Series 2002 Bonds. The Indenture permits the issuance of additional bonds (the *"Additional Bonds"*) ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of bonds issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds: Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds." As used herein *"Bonds"* means the Series 2002 Bonds and all Additional Bonds issued under the Indenture.

Payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds (including the Series 2002 Bonds) issued under the Indenture will be guaranteed by the Company pursuant to a Guaranty dated as of July 1, 2002 from the Company to the Trustee (the *"Company Guaranty"*) and also will be guaranteed by AMR Corporation (*"AMR"*) pursuant to a Guaranty dated as of July 1, 2002 from AMR to the Trustee (the *"AMR Guaranty"*). The Company is a wholly owned subsidiary of AMR. The AMR Guaranty and the Company Guaranty are herein referred to as the *"Guaranties."* See "SECURITY FOR THE BONDS—The Guaranties."

As security for the payment of its obligations under the Company Guaranty and the payment of AMR's obligations under the AMR Guaranty, the Company is obligated to grant to the Trustee, as leasehold mortgagee (the *"Leasehold Mortgagee"*), a leasehold mortgage in the Company's interest in the Premises under the Port Authority Lease pursuant to a Leasehold Mortgage and Security Agreement (the *"Leasehold Mortgage"*). **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and certain other requirements (defined in the Port Authority Lease as the *"Reletting Rights Effective Date Conditions"* and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"*) have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement referred to below, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty, and (iii) the unsecured obligation of AMR under the AMR Guaranty. The delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."**

If the Leasehold Mortgage becomes effective, the Leasehold Mortgagee, subject to significant restrictions, the satisfaction of certain requirements and significant payment obligations, all as set forth in the Port Authority Lease and described herein, will have the right following a Leasehold Mortgage Default as described herein to identify to the Port Authority a Qualifying Replacement Tenant. In accordance with the provisions of the Port Authority Lease, acceptance of any Qualifying Replacement Tenant is subject to the approval of the Port Authority. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

The Company currently estimates that substantial completion of the Leased Facilities will occur in August 2006 and the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether a Reletting Rights Effective Date Condition relating to the amount of qualified costs incurred by the Company has been fulfilled). See "THE PROJECT;

PLAN OF FINANCE" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Redevelopment Work." The Port Authority Lease contains significant economic incentives for the Company to substantially complete the Leased Facilities in a timely manner and to satisfy the Reletting Rights Effective Date Conditions related to the construction of the Leased Facilities. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent." The failure of the Company to satisfy the remaining Reletting Rights Effective Date Conditions (which are procedures to ensure, among other things, that the Company has incurred the required amount of qualified costs in connection with construction of the Leased Facilities) following substantial completion of the Leased Facilities will be a default under the IDA Lease Agreement. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Events of Default; Remedies—*Events of Default.*"

As further security for the Series 2002 Bonds and any Additional Bonds, the Company, the Agency and the Trustee will execute an Equipment Security Agreement dated as of July 1, 2002 pursuant to which the Company and the Agency will grant to the Trustee a security interest in certain Facility Equipment (the *"Equipment Security Agreement"*).

The Port Authority will consent to the Company Sublease, the IDA Lease Agreement and the Leasehold Mortgage in a Consent to Subleases and Leasehold Mortgage Agreement among the Port Authority, the Company, AMR, the Agency and the Trustee (the *"Port Authority Consent"*). A violation by the Company of certain provisions of the Port Authority Consent is deemed to be a material default under the Port Authority Lease. See APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage*" and "—*Defaults.*"

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." Should the Basic Lease not be extended, the City will agree to lease the Premises directly to the Company (such lease is herein called the *"New City/American Lease"*) pursuant to an Agreement Towards Entering Into a Lease between the City and the Company (the *"Agreement Towards Entering Into a Lease"*). The City is not obligated to enter into the New City/American Lease with the Company unless certain conditions are satisfied as described in the Agreement Towards Entering Into a Lease. The New City/American Lease will contain terms and conditions specified in the Agreement Towards Entering Into a Lease and may contain such additional terms and conditions as the City or its designee deems appropriate in good faith. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease.*" **As a result, the New City/American Lease may contain provisions that diminish the value and marketability of the Company's leasehold, or that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability**

of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting." See also "SECURITY FOR THE BONDS—The Agreement Towards Entering Into a Lease," "—New Leasehold Mortgage Upon Expiration of the Basic Lease" and "— Company Sublease; The Lease Term Differential" and "RISK FACTORS—Leasehold Term" and "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

The Leasehold Mortgage will terminate upon the expiration of the Basic Lease. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, provided certain conditions are met. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease but must be negotiated at such time and be satisfactory to the City. As a result, such new leasehold mortgage may contain provisions that diminish the value of a leasehold mortgage of the Company's interest in the Premises. In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to grant to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant to the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease" for a summary of the terms of the Agreement Towards Entering Into a Lease. Certain bankruptcy and lien priority issues also are raised with respect to the leasehold mortgage covering the New City/American Lease. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities," "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" and "—Certain Considerations under the United States Bankruptcy Code."

The Company and the City will also enter into a Recognition, Non-Disturbance and Attornment Agreement (the *"City Attornment Agreement"*) pursuant to which the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date (December 31, 2015 unless extended) and if (i) the Company is not at such time a Prohibited Person, (ii) the Company is not in default under the Port Authority Lease and no event then exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iii) the Company is still the tenant under the Port Authority Lease, (iv) no event has occurred which would permit the commencement of the exercise of the Reletting Rights, and (v) no Triggering Event has occurred, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the City upon all terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the City will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a

leasehold mortgage therein) and (C) the Company will recognize the City as its direct landlord thereunder. In such event the Leasehold Mortgage, if it has then become effective, would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement" for a summary of the terms of the City Attornment Agreement. See also "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

Each series of the Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates to their respective maturity dates as shown on the inside front cover of this Official Statement. The Indenture provides that the Bonds of each series of the Series 2002 Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their respective maturity dates) that such Series 2002 Bonds would otherwise be subject to optional redemption as described below under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company.*" In such case, such Series 2002 Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of such Series 2002 Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had such Series 2002 Bonds been optionally redeemed on such date, together with accrued interest, if any. **This Official Statement describes the Series 2002 Bonds only while they bear interest at the initial Long-Term Interest Rates set forth on the inside front cover of this Official Statement.**

The Series 2002 Bonds will mature on the dates set forth on the inside front cover of this Official Statement and will be subject to redemption as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity." Interest on the Series 2002 Bonds bearing interest at Long-Term Interest Rates will accrue from July 1, 2002, and will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter, and will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of Series 2002 Bonds bearing interest at Long-Term Interest Rates will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" shall mean Cede & Co., and shall not mean the beneficial owners of the Series 2002 Bonds. See "THE SERIES 2002 BONDS—Book-Entry-Only System."

Brief descriptions of the Agency, the Series 2002 Bonds, the Indenture, the IDA Lease Agreement, the Company Sublease, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the Equipment Security Agreement and the Guaranties are included in this Official Statement. Appendix A to this Official Statement furnishes, or incorporates by reference, information with respect to the Company and AMR. Appendix B to this Official Statement contains certain definitions used herein and in the Appendices hereto. Appendix C to this

Official Statement contains a summary of certain provisions of the IDA Lease Agreement. Appendix D to this Official Statement contains a summary of certain provisions of the Indenture. Appendix E to this Official Statement contains a summary of certain provisions of the Guaranties. Appendix F to this Official Statement contains a summary of certain provisions of the Port Authority Lease. Appendix G to this Official Statement contains a summary of certain provisions of the Port Authority Consent and the form of Leasehold Mortgage. Appendix H to this Official Statement contains a summary of certain provisions of the Agreement Towards Entering Into a Lease and the City Attornment Agreement. Appendix I to this Official Statement sets forth the form of opinion of Bond Counsel. The Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. is attached hereto as Appendix J. The assumptions, findings and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency, the Underwriters or the Company. The descriptions in this Official Statement (including the Appendices hereto) of the IDA Lease Agreement, the Company Sublease, the Indenture, the Guaranties, the Equipment Security Agreement, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement are qualified in their entirety by reference to such documents, and the descriptions in this Official Statement (including the Appendices hereto) of the Series 2002 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained during the initial offering period from the principal offices of the Underwriters and, after the initial delivery of the Series 2002 Bonds, at the principal corporate trust office of the Trustee in New York, New York. All capitalized terms used herein (including in the Appendices) and not defined herein or in Appendix B hereto shall have the meanings set forth in the Indenture.

THE AGENCY

The Agency was established in 1974 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State duly organized and existing pursuant to Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the *"Act"*) for the purposes of promoting the economic welfare of the inhabitants of the City and promoting, developing, encouraging and assisting in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreational and civic facilities, thereby advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their recreational opportunities, prosperity and standard of living.

Under the Act, the Agency has power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the geographical jurisdictional limits of the City; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects; to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Agency may deem desirable;

to designate depositories for its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

The members of the Board of Directors of the Agency are listed earlier in this Official Statement.

To support its activities, the Agency contracts with the New York City Economic Development Corporation (*"EDC"*) to provide staff and technical assistance. EDC is a not-for-profit local development corporation which includes among its purposes the administration of government financing programs which foster business expansion in the City.

The Agency has heretofore authorized and issued revenue bonds under the Act for the benefit of various borrowers. Each series of such revenue bonds constitutes a separate, special obligation of the Agency payable only from revenues received from the specific borrower benefited thereby or from other limited sources and the full faith and credit of the Agency was not pledged to secure the payment of principal of, premium, if any, or interest on such bonds.

Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002 Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER. THE AGENCY HAS NOT VERIFIED, REVIEWED OR APPROVED AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO (OTHER THAN THE STATEMENTS AND INFORMATION SET FORTH UNDER "THE AGENCY" AND THE INFORMATION RELATING TO THE CITY AND THE AGENCY ON THE PAGE IMMEDIATELY FOLLOWING THE TABLE OF CONTENTS).

THE AIRPORT

Pursuant to the Basic Lease, the Airport is leased, together with LaGuardia Airport, to the Port Authority by the City for a term extending to December 31, 2015. Opened on July 1, 1948, the Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. The Airport consists of approximately 4,956 acres, including 880 acres in the Central Terminal Area. The Central Terminal Area contains nine individual airline passenger terminals surrounded by a dual ring of peripheral taxiways. Six hangars are used to provide aircraft maintenance and storage for aircraft parts and equipment. Two patron parking structures, 35 cargo buildings to accommodate the demand for cargo space, a 520-room hotel, and a cogeneration facility integrating an installation for the generation of electrical energy with the Airport's central heating, refrigeration plant and thermal distribution system, are also located at the Airport. The four major runways now in use range in length from approximately 8,400 feet to 14,600 feet. For additional information regarding the Airport, see APPENDIX J—"GATE DEMAND STUDY."

THE PROJECT; PLAN OF FINANCE

The Project

The Project consists of (i) the demolition of Terminals 8 and 9 at the Airport, and (ii) the acquisition, construction and equipping of a new air passenger terminal (the *"Terminal"*) together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C of the Terminal to the main Terminal building. The Company currently plans for the Terminal to consist of an approximately 2 million square foot, 55 gate terminal building and central ticketing facility. The Terminal will replace the Company's two existing terminals at the Airport, currently designated as Terminals 8 and 9, creating what the Company believes will be one of the best and most advanced passenger terminal facilities at the Airport. When completed, the Terminal will enhance the position of the Airport as one of the United States' premier international gateways.

The description of the Project set forth below reflects the Company's existing design and construction plans for the Terminal. To permit the Leasehold Mortgage to be executed, delivered and recorded, the Company must satisfy the Required Conditions (as defined under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions to Execution, Delivery and Recording of the Leasehold Mortgage*"), which generally require that the Terminal contain 55 gates or such other number of gates as shall have been approved by the Port Authority, and that the Company incur not less than $850,000,000 of qualified costs in connection with construction of the Leased Facilities. The Company's plans for the Terminal could change (for example, the Company could decide to construct fewer than 55 gates in the Terminal), but the Company expects that in any event the Terminal, when completed, will satisfy the Required Conditions.

The Terminal will contain three concourses. Concourses A and B will extend from the main Terminal area. Concourse A will be a second level concourse that will provide 18 gates with passenger loading devices for regional aircraft operated by American Eagle. Concourse B will be part of the main Terminal building, will have 20 gates, and will provide gating for both

narrowbody and widebody aircraft. All gates on Concourse B will accommodate international and domestic arrivals and departures. Concourse C will have 17 gates and will be linked to the main Terminal building by a 320-foot underground tunnel with moving walkways. Concourse C also will provide gating for narrowbody and widebody aircraft. Eleven gates on Concourse C will accommodate domestic arriving flights and international or domestic departing flights. All other gates in Concourse C will accommodate international or domestic arriving flights and departing flights.

The concourses are planned to consist of 37 gates for main line aircraft and 18 gates for regional jet aircraft that each will accommodate up to a 70-seat regional jet. The Company expects that the finished Terminal will be able to accommodate up to 40,000 passengers a day.

To allow customers to move through the Terminal smoothly and efficiently, the Terminal will have four primary levels: one for arrivals, one for baggage handling, one for departures, and one for clubs, lounges and offices.

The departures level will include curbside check-in positions and main ticket counter check-ins, each with take-away belts for baggage. The positions will be arranged in five check-in islands. For arriving international passengers, there will be a Federal Inspection Service (customs and immigration) facility planned to process up to 2,400 people an hour. This facility is designed to feature 22 customs positions, 48 immigration positions and six baggage claim carousels, each with 250 linear feet for baggage pickup. Outside of the facility, there will be an area designated for meeting arriving passengers.

The Terminal is planned to feature two Admirals Clubs, an Arrivals Lounge and a Flagship Lounge.

Integral to the design of the Terminal is a new two-level roadway – one for arrivals and the other for departures. Each is planned to have 900 linear feet of curb space. In addition, the Terminal will be linked to other terminals at the Airport and the Airport's parking areas by the Airport's light rail AirTrain system that is currently under construction. Portions of the light rail AirTrain system are expected to begin operating by the fourth quarter of 2002.

The Terminal's planned retail and concession program is expected to encompass 74 specialty stores consisting of retail, duty free, newsstand and food and beverage facilities and financial and passenger services facilities, including business centers and currency exchanges. The retail and concession program is expected to provide approximately 90,000 square feet of concession space. The concession program's primary goal will be customer satisfaction through provision of a broad variety of quality products and services to travelers and Airport users with innovative concepts that impart broad customer appeal. The concession program is intended to enhance the Terminal as a major international point of entry/departure at the Airport.

The Company has selected DMJM Aviation as architect/engineer for the Project. DMJM Aviation specializes in aviation planning, programming, environmental analysis, engineering, design, construction/program management, and selected specialty technical services. DMJM Aviation incorporates the aviation resources of Day & Zimmermann Infrastructure: Daniel,

Mann, Johnson, & Mendenhall; and Turner Collie & Braden. The firm's recent projects include major airport development programs at Chicago O'Hare, Edmonton, Miami, Philadelphia, Phoenix Sky Harbor, Salt Lake City, Southwest Florida, San Francisco, Washington Dulles and Ronald Reagan National Airport.

Construction of the Leased Facilities began in October 1999. The Company currently expects to meet the project milestones of opening Concourse C in February 2003, completing the Terminal C tunnel/connector and mid-section of the main Terminal by December 2003, opening the west portions of Concourses A and B and the Federal Inspection Service facility by July 2004, and opening the east portions of Concourses A and B by August 2006. At the end of May 2002, Concourse C was 60% complete and 70% of the structural steel installation for the main Terminal was complete. To date the Company has spent approximately $350,000,000 on the Leased Facilities (all of which the Company believes are proper Redevelopment Work costs that will apply towards satisfaction of the Required Condition requiring the Company to incur at least $850,000,000 in qualifying costs in connection with construction of the Leased Facilities). See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Redevelopment Work."

Plan of Finance

The proceeds of the Series 2002 Bonds will be used (i) for payment of a portion of the cost of design, construction, equipping, and installation of the Facility, (ii) to fund deposits to the applicable Construction Accounts of the Project Fund to fund construction through approximately November 30, 2002 and (iii) to pay the costs of issuance of the Series 2002 Bonds.

The Company's current plan is to issue Additional Bonds in 2003, 2004 and 2005 to fund completion of the Facility and to reimburse the Company for moneys advanced by it for construction of the Facility.

APPLICATION OF PROCEEDS OF THE SERIES 2002 BONDS

The proceeds to be received from the sale of the Series 2002 Bonds will be applied substantially as shown below:

Reimbursement to the Company for Project costs.....	$_____
Deposit to the Project Fund to finance a portion of the Project.....	_____
Underwriting discount.....	_____
Issuance costs[1].....	_____
Total uses of funds.....	$_____

(1) Includes rating agency, legal, accounting, financial advisory, consulting, printing and other fees and expenses.

THE SERIES 2002 BONDS

General

The Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement, subject to their prior redemption as described below under "—Redemption Prior to Maturity," to their respective maturity dates (each a *"Long-Term Interest Rate Period"*) and are issuable in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The owners of the Series 2002 Bonds will **not** have the right to optionally tender their Series 2002 Bonds for purchase during such Long-Term Interest Rate Periods. The Indenture provides that the Bonds of each series of Series 2002 Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their respective maturity dates) that such series of Series 2002 Bonds would otherwise be subject to optional redemption as described below under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company.*" In such case, such series of Series 2002 Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of such series of Series 2002 Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had such series of Series 2002 Bonds been optionally redeemed on such date, together with accrued interest, if any. At the time of such mandatory tender of a series of Series 2002 Bonds, such series of Series 2002 Bonds may be remarketed by a Remarketing Agent to be appointed by the Company prior to such time.

Interest on the Series 2002 Bonds during the initial Long-Term Interest Rate Periods will accrue from July 1, 2002 and will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter (each, an *"Interest Payment Date"*) to registered owners as of the 15th day immediately preceding such Interest Payment Date (each, a *"Record Date"*). If a February 1 or August 1 is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day, but no additional interest will accrue. Interest on the Series 2002 Bonds offered hereby will be computed during the initial Long-Term Interest Rate Periods on the basis of a year of 360 days consisting of twelve 30-day months, and will be payable by check mailed or otherwise delivered to the registered owner thereof on the date that such interest is due at the address of such registered owner shown on the registration books kept by the Trustee, as Bond Registrar, as of the close of business on the Record Date or, in the case of Series 2002 Bonds owned by an owner who is the registered owner of Series 2002 Bonds of such series in an aggregate principal amount of at least $500,000 and who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, to the Trustee, as Paying Agent, wire transfer instructions, by wire transfer. Payment of the principal of, premium, if any, and interest on the Series 2002 Bonds shall be in lawful money of the United States of America. So long as Series 2002 Bonds are registered in the name of Cede & Co., registration of the Series 2002 Bonds and provisions relating to the delivery or presentation of the Series 2002 Bonds shall be handled in accordance with the procedures of DTC described below and the provisions of the Indenture relating to DTC's book-entry-only system described below.

Book-Entry-Only System

General. When the Series 2002 Bonds are issued, only beneficial ownership interests will be available to purchasers through a book-entry-only system maintained by DTC (the *"Book-Entry-Only System"*). The following discussion will not apply to Series 2002 Bonds if issued in physical form due to the discontinuance of the DTC system. See "*—Discontinuance of Book-Entry-Only System.*"

DTC will act as securities depository for the Series 2002 Bonds. The Series 2002 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Series 2002 Bonds, each in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act (hereinafter defined). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the *"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). Direct Participants and Indirect Participants are collectively referred to as *"Participants."* DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com.**

Purchases of Series 2002 Bonds under the Book-Entry-Only System must be made by or through Direct Participants, which will receive a credit for the Series 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond (the *"Beneficial Owner"*) is in turn to be recorded in the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002 Bonds, except in the event that use of the Book-Entry-Only System for the Series 2002 Bonds is discontinued. See "*—Discontinuance of Book-Entry-Only System.*"

To facilitate subsequent transfers, all Series 2002 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2002 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2002 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2002 Bond documents. For example, Beneficial Owners of Series 2002 Bonds may wish to ascertain that the nominee holding the Series 2002 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption and mandatory tender notices shall be sent to DTC. If less than all of the Series 2002 Bonds within a series are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in the series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2002 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and purchase price of, and premium, if any, and interest on the Series 2002 Bonds will be made to Cede & Co. or such other nominee as may be requested by an

authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, the Company, AMR or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, purchase price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee (or the applicable Tender Agent with respect to purchase price), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

The requirement for physical delivery of Series 2002 Bonds in connection with a mandatory tender will be deemed satisfied when the ownership rights in such Series 2002 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such Series 2002 Bonds to the applicable Tender Agent's DTC account.

Discontinuance of Book-Entry-Only System. Certificates representing replacement Series 2002 Bonds may be issued directly to Beneficial Owners of such Series 2002 Bonds in the event that (a) DTC determines to discontinue providing its services with respect to the Series 2002 Bonds; (b) the Agency, in consultation with the Company, and without the consent of the Trustee, the Beneficial Owner of any Series 2002 Bond or any other person, terminates the services of a depository with respect to a series of Series 2002 Bonds if the Agency determines (i) the depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of such series issued in book-entry form be registered in the registration books of the Agency in the name of the depository, is not in the best interest of the Beneficial Owners of such Bonds, or (c) the Agency shall terminate the services of the depository upon receipt by the Agency and the Trustee of written notice from DTC that it has received written requests that DTC be removed from its participants having beneficial interest, as shown in the records of DTC, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Bonds of such series for which DTC is serving as depository. If no successor is appointed, the Bond Registrar will transfer one or more separate Series 2002 Bonds of a series to owners identified by the securities depositary having Series 2002 Bonds of such series credited to their accounts. In such event, such Series 2002 Bonds will no longer be restricted to being registered in the registration books in the name of the securities depository.

Beneficial Owners have no right to a Book-Entry-Only System or a depository for the Series 2002 Bonds.

If the Series 2002 Bonds are issued in physical form due to the discontinuance of the Book-Entry-Only System, the provisions of the Indenture with respect to payment and registration of the Series 2002 Bonds that are not in the Book-Entry-Only System will apply.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 2002 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Series 2002 Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (b) except as described above, notices that are to be given to registered owners will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the Agency, the Company or AMR.

Redemption Prior to Maturity

The Series 2002 Bonds offered hereby are subject to redemption as described below:

Optional Redemption at the Direction of the Company. The Series 2002 Bonds of each series are subject to optional redemption by the Agency, at the direction of the Company, during the periods specified below, in whole or in part on any date, at the redemption prices (expressed as a percentage of principal amount) specified below, together with accrued interest, if any, to the redemption date:

Redemption Periods	Redemption Prices
_____ 1, 2012 to _____ _, 2013	%
_____ 1, 2013 to _____ _, 2014	%
_____ 1, 2014 and thereafter	%

Extraordinary Optional Redemption Without Premium. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Company of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Company shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Company with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been

prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Company is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Company fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002 Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium. See "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential" for a discussion of the events that could lead to the termination of the Company Sublease.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the Port Authority Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002 Bonds shall be subject to mandatory redemption in a principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The redemption price of any Series 2002 Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The series and maturities of Series 2002 Bonds to be redeemed shall be determined by the Company.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002 Bonds of each series are subject to mandatory redemption in whole or, under certain circumstances, in part, at a redemption price equal to 100% of the unpaid principal amount of such Series 2002 Bonds of such series, together with accrued interest to the date of redemption, and without premium, within 90 days following receipt by the Trustee of written notice from a current or former holder or Beneficial Owner of the Series 2002 Bonds of such series or the Company of a Determination of Taxability (defined below). All of the Series 2002 Bonds of such series shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002 Bonds of such series would have the result that interest payable on the remaining Series 2002 Bonds of such series outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any holder or Beneficial Owner of a Series 2002 Bond of such series, other than a holder or Beneficial Owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code (defined below), in which case only such portion shall be redeemed. A Determination of Taxability is defined in the Indenture with

respect to any series of Series 2002 Bonds as (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company has participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party or (iii) the delivery to the Agency and the Company of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Company to observe any covenant or agreement of the Company in the IDA Lease Agreement or any applicable Tax Certificate or the inaccuracy of any Company representation or warranty therein, the interest payable on the Series 2002 Bonds of such series is includable in the gross income of the holders thereof for federal income tax purposes, other than a person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder (the *"Code"*); *provided, however,* that no such Determination of Taxability shall be considered to exist with respect to (i) or (ii) above unless (x) the holder or Beneficial Owner or former holder or Beneficial Owner of such Series 2002 Bonds involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof and (y) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Company exhausts or chooses not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action that the Company determines to be appropriate, and no such Determination of Taxability as described in (iii) above shall be considered to exist if the Company gives the Agency prompt written notice of its intent to obtain (at the Company's expense) a second opinion and within 60 days of the receipt of the opinion described in (iii) above delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (iii) above does not adversely affect the exclusion of interest on the applicable series of Series 2002 Bonds from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Company in the second opinion). No Determination of Taxability described above will result from the inclusion of interest on any Series 2002 Bond in the computation of minimum or indirect taxes.

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002 Bonds. The Series 2002 Bonds of each series shall be subject to extraordinary optional redemption by the Agency, at the direction of the Company, in whole or in part on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Company shall have delivered to the Trustee and the Agency an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions,

addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002 Bonds of such series (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002 Bonds of such series from the gross income of the holders pursuant to Section 103 of the Code and (ii) redemption of Series 2002 Bonds of such series in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority or City's Right to Terminate the Leasehold Mortgage. The Series 2002 Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the Port Authority Lease or as a result of the exercise by the City of any similar right it may have under the New City/American Lease. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Buy Out Rights of Port Authority Prior to Foreclosure*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Port Authority Right to Purchase Leasehold Mortgage*."

Mandatory Sinking Fund Redemption. The Series 2002A Bonds due August 1, 2017* will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2015*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015*	$_____
2016*	$_____
2017*†	$_____

†Final Maturity

The principal amount of the Series 2002A Bonds due August 1, 2017* to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed

* Preliminary, subject to change.

(otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002A Bonds due August 1, 2022* will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2018*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2018*	$_____
2019*	$_____
2020*	$_____
2021*	$_____
2022*†	$_____

†Final Maturity

The principal amount of the Series 2002A Bonds due August 1, 2022* to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2023*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2023*	$_____
2024*	$_____
2025*	$_____
2026*	$_____
2027*†	$_____

†Final Maturity

* Preliminary, subject to change.

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002C Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2028*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2028*	$_____
2029*	$_____
2030*	$_____
2031*	$_____
2032*†	$_____

†Final Maturity

The principal amount of the Series 2002C Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002D Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2033*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

* Preliminary, subject to change.

August 1 of the year	Principal Amount
2033*	$_____
2034*	$_____
2035*	$_____
2036*†	$_____

†Final Maturity

The principal amount of the Series 2002D Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

If all of a series of the Series 2002 Bonds are redeemed as provided in any of the preceding paragraphs then (x) the failure by the Company to observe or perform a covenant or agreement in the IDA Lease Agreement or (y) the inaccuracy of any representation or warranty made by the Company in the IDA Lease Agreement or in the related Tax Certificate, either of which results in a Determination of Taxability with respect to such series, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002 Bonds of such series for any claims, damages, costs or expenses arising out of or based upon such failure by the Company.

If the lien of the Indenture has been defeased with respect to a series of Series 2002 Bonds prior to the occurrence of an event permitting or requiring redemption of a series of the Series 2002 Bonds, the affected series of Series 2002 Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Discharge of Indenture."

Selection of Series 2002 Bonds For Redemption. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series and maturity, the particular Series 2002 Bonds of such series and maturity or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that Series 2002 Bonds to be redeemed from sinking fund installments shall be redeemed by lot. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series stated to mature on different dates, the principal amount of such Series 2002 Bonds to be redeemed shall be

* Preliminary, subject to change.

applied to the maturities as directed by the Company. The portion of Series 2002 Bonds to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting Series 2002 Bonds for redemption, the Trustee shall treat each such Series 2002 Bond as representing that number of Series 2002 Bonds which is obtained by dividing the principal amount of such registered Series 2002 Bond by the minimum denomination (referred to below as a *"unit"*) then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2002 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the holder of such Series 2002 Bond shall forthwith surrender such Series 2002 Bond to the Trustee for (a) payment to such holder of the redemption price of the unit or units of principal amount called for redemption and (b) delivery to such holder of a new Series 2002 Bond or Bonds of the same series and maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2002 Bond. New Series 2002 Bonds of the same series and maturity representing the unredeemed balance of the principal amount of such Series 2002 Bond shall be issued to the registered holder thereof, without charge therefor. If the holder of any such Series 2002 Bond of a denomination greater than a unit shall fail to present such Series 2002 Bond to the Trustee for payment and exchange as aforesaid, such Series 2002 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Notice of Redemption. The Trustee shall give notice of redemption of Series 2002 Bonds in the name of the Agency, specifying the series, CUSIP number, Bond numbers, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2002 Bonds or portions thereof to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2002 Bonds of such series or portions thereof to be payable and, if less than all of the Series 2002 Bonds of a series of any maturity are to be redeemed, the numbers of such Series 2002 Bonds of such series or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2002 Bond of such series or portion thereof to be redeemed the redemption price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee, in the name and on behalf of the Agency (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than 45 nor less than 30 days prior to the date fixed for redemption of such Series 2002 Bonds, to the registered owners of any such Series 2002 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of Series 2002 Bonds with respect to which proper mailing was effected; and (ii) shall cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices. Any such notice shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2002 Bond shall not be presented for payment of the redemption price within 60 days

of the redemption date, the Trustee shall mail a second notice of redemption to such holder by first class mail, postage prepaid.

Any notice of optional redemption may provide that the redemption of Series 2002 Bonds described therein is conditioned upon receipt by the Trustee, on or before the date fixed for redemption, of sufficient funds to pay the redemption price of the Series 2002 Bonds to be redeemed and such notice shall be of no effect if moneys sufficient to pay the redemption price of the Series 2002 Bonds to be redeemed have not been deposited with the Trustee on or before the date fixed for redemption. Any amounts held by the Trustee due to non-presentment of Series 2002 Bonds for payment on any redemption date shall be retained by the Trustee for a period of one year after the redemption date of such Series 2002 Bonds and invested in overnight funds with the interest thereon credited to the Company as provided in the Indenture, and any such amounts still held after the expiration of such period shall then be paid to the Company.

Provisions Regarding Bonds Bearing Interest at a Long-Term Interest Rate; Mandatory Tender and Remarketing

Series 2002 Bonds of a series may be converted to a different Long-Term Interest Rate Period or to another interest rate mode prior to the scheduled end of the Long-Term Interest Rate Period applicable to such series of Series 2002 Bonds on a date upon which such series of Series 2002 Bonds are subject to optional redemption at the direction of the Company as described above under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company*." Upon any such conversion, such series of Series 2002 Bonds will be subject to mandatory tender. The purchase price in the case of such mandatory tender will be 100% of the principal amount of the Series 2002 Bonds of the series subject to mandatory tender, plus any premium that would be payable if such Series 2002 Bonds were optionally redeemed on such day, together with accrued interest to the date of redemption. If the mandatory tender date is not a Business Day, then the date for such payment will be the next Business Day, but no additional interest will accrue as a result.

Notice of any mandatory tender described in the preceding paragraph shall be given by the Trustee to the owners of Series 2002 Bonds affected thereby by first-class mail not less than 15 days prior to such mandatory tender date. When the Book-Entry-Only System is not in effect, an owner of a Series 2002 Bond must deliver to the applicable Tender Agent the Series 2002 Bond subject to mandatory tender (accompanied by an instrument of transfer, in form satisfactory to such Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed as provided in the Indenture) on the purchase date by 12:00 Noon, New York City time. Delivery of a Beneficial Owner's Series 2002 Bond while Cede & Co. is the sole registered owner of the Series 2002 Bonds shall occur when the ownership rights in such Series 2002 Bond are transferred by a Direct Participant to the applicable Tender Agent on DTC's records (as these terms are defined above). In the event any such Series 2002 Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 2002 Bond need not be made until the Business Day following the date of delivery of such Bond, but such Bond shall nonetheless be deemed to be an Undelivered Bond (defined below) and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

If an owner of a Series 2002 Bond subject to mandatory tender shall fail to deliver such Series 2002 Bond to the applicable Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 2002 Bond properly endorsed, or if the Book-Entry-Only System is in effect, shall fail to cause its beneficial ownership to be transferred to such Tender Agent on the records of DTC, and moneys sufficient to pay the purchase price thereof are on deposit with such Tender Agent for such purpose, such Series 2002 Bond shall constitute an *"Undelivered Bond."* If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery (i) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (ii) interest shall no longer accrue thereon; and (iii) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the applicable Tender Agent for the benefit of the holder thereof (*provided* that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the applicable Tender Agent at its Principal Office for delivery of Series 2002 Bonds.

The Company will not appoint a Remarketing Agent at the time of the initial issuance and delivery of the Series 2002 Bonds, but is required to appoint a Remarketing Agent for a series of Series 2002 Bonds at least 30 days prior to the first remarketing of Series 2002 Bonds of that series, if any. The purchase price of a series of Series 2002 Bonds will be paid (i) from the proceeds of the remarketing of such series of Series 2002 Bonds by the applicable Remarketing Agent and (ii) if such remarketing proceeds are insufficient, from moneys provided by the Company under the IDA Lease Agreement or the Company Guaranty or by AMR under the AMR Guaranty.

SECURITY FOR THE BONDS

The Indenture

In the Indenture, the Agency has assigned to the Trustee all right, title and interest of the Agency in and to the IDA Lease Agreement, including, but not limited to, all lease rentals, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which Agency's Reserved Rights may be enforced by the Agency and the Trustee jointly or severally, subject to the limitations contained in the IDA Lease Agreement and the Indenture. In addition, the Series 2002 Bonds, along with all Additional Bonds, are secured by all moneys on deposit in accounts held under the Indenture except (i) any Rebate Fund (which is held solely to pay any amounts required to be paid to the United States Treasury), (ii) any Bond Purchase Fund created under the Indenture (which is held solely for the benefit of the owners of Bonds subject to tender), (iii) any moneys drawn on any credit facility securing a particular series of Bonds (which is held solely for the benefit of that series of Bonds and the issuer of such credit facility), and (iv) any debt service reserve fund created by, or any other security of any nature pledged under, a Series Supplemental Indenture to secure a particular series of Bonds.

Under the Indenture, the Trustee shall only have the right to enforce the obligation of the Company to pay lease payments sufficient to enable the Agency to pay the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds and to accelerate and collect the rentals payable by the Company under the IDA Lease Agreement. Under the Indenture each holder of the Bonds agrees that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement. Pursuant to the Indenture, each holder of the Bonds further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall (except as described above) have any other interest in the Leased Facilities or the Port Authority Lease (including, but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State of New York, or (iv) the Real Property Law of the State of New York or otherwise. Further, under the Indenture, each Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Leased Facilities (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage).

Pursuant to the Indenture upon an Event of Default thereunder, the Trustee will have a first right of payment prior to payment of rent under the IDA Lease Agreement in respect of the principal of or interest on any Bonds upon the revenues for the payment of its compensation and expenses and for the payment of advances reasonably and necessarily made or incurred by it under the Indenture.

The Indenture also permits the issuance of Additional Bonds ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of Bonds, including the Series 2002 Bonds, issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds" for a description of the conditions upon which Additional Bonds may be issued. The Company intends to finance the completion of the Project through the issuance from time to time of Additional Bonds by the Agency. See "THE PROJECT; PLAN OF FINANCE."

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE

PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR, PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The IDA Lease Agreement

The primary source for the payment of principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds will be the payment by the Company of rent under the IDA Lease Agreement. The Company will be obligated to pay directly to the Trustee, as assignee of the Agency under the Indenture, rent in an amount equal to the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds, when due. The obligations of the Company under the IDA Lease Agreement will be absolute and unconditional obligations of the Company.

The Guaranties

The owners of the Series 2002 Bonds and all Additional Bonds will be entitled to the benefits of the Company Guaranty and the AMR Guaranty pursuant to which the Company and AMR, respectively, will unconditionally guarantee to the Trustee for the benefit of the owners of the Series 2002 Bonds and all Additional Bonds payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds when and as due and payable. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES."

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN

PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt." to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Leasehold Mortgage and Reletting

Leasehold Mortgage. As security for payment of its obligations under the Company Guaranty and AMR's obligations under the AMR Guaranty, the Company has agreed that within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions, the Company will execute and deliver to the Leasehold Mortgagee for recording a leasehold mortgage of the Company's interest in the Premises under the Port Authority Lease. The Leasehold Mortgage will be acknowledged and consented to by the Agency. See *"—Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date."* A form of the Leasehold Mortgage has been consented to by the Port Authority under the Port Authority Consent and is described in APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." The sole rights of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default are the Reletting Rights, which would permit the Leasehold Mortgagee to exclude the Company from possession of the Premises and to select a Qualifying Replacement Tenant during the Foreclosure Period. The obligations of the Leasehold Mortgagee with respect to any exercise of the Reletting Rights are described below and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty. The delayed execution, delivery and recording of the Leasehold Mortgage also raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."

If the Basic Lease expires the Leasehold Mortgage will terminate. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in such New City/American Lease, *provided* that certain conditions are satisfied. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time. There can be no assurance that any such new leasehold mortgage will have terms similar to the Leasehold

Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed. Also, no assurance can be given that the City will not require additional provisions in the New City/American Lease that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein. See "—New Leasehold Mortgage Upon Expiration of the Basic Lease."

The following discussion describes (i) the requirements that must be satisfied by the Company before the Leasehold Mortgage can be executed, delivered or recorded and (ii) the conditions set forth in the Port Authority Lease that must be satisfied before the Leasehold Mortgage can be foreclosed once it becomes effective.

Conditions to Execution, Delivery and Recording of the Leasehold Mortgage. The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after each of the Reletting Rights Effective Date Conditions described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"* is fulfilled. The Reletting Rights Effective Date Conditions include the requirements that (i) the Company construct a terminal containing not less than 55 gates, of which at least 35 are to accommodate widebody aircraft and at least two are to accommodate narrowbody aircraft, or such other number of gates as shall have been approved in writing by the Director of the Port Authority's Aviation Department, and (ii) the Company incur not less than $850,000,000 of qualified costs in connection with construction of the Leased Facilities (referred to collectively as the *"Required Conditions"*). The other Reletting Rights Effective Date Conditions are requirements that must be complied with to verify that the Required Conditions have been satisfied. The Port Authority Lease contains specific procedures (including procedures relating to the Port Authority's right to audit costs of work on the Project) as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"* that must be strictly complied with to satisfy the Reletting Rights Effective Date Conditions.

The Company currently estimates that the substantial completion of the Project will occur in August, 2006 and that the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which date allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether the Company has satisfied the Required Condition that the Company incur not less than $850,000,000 in qualified costs in connection with construction of the Leased Facilities).

There can be no assurance that the Reletting Rights Effective Date Conditions will ever be satisfied. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "— Certain Considerations under the United States Bankruptcy Code" for a discussion of certain risks related to the delayed execution and recording of the Leasehold Mortgage.

Under the Port Authority Lease, the Company is incentivized to complete the Project in a timely manner as a result of certain provisions that provide for abatements of rent as certain criteria are met. Building rent is abated until December 22, 2010 as follows: (i) one-third of

such building rent is abated from (x) the later of December 22, 2002 and the first day of the month after the month in which the Company has incurred at least $283,333,050 of qualifying costs for Redevelopment Work to (y) the later of December 21, 2004 and the last day of the month during which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work and (ii) two-thirds of such building rent is abated from (x) the later of December 22, 2004 and the first day of the month after the month in which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work to (y) the earlier of the first day of the month after which the Required Conditions have been satisfied and December 21, 2010. The abatements under item (i) above would amount to approximately $7 million per year and under item (ii) above would amount to approximately $14 million per year. All building rent is abated from the first day of the month after the month in which the Company satisfies the Required Conditions until the earlier of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date. Such rent abatements would total approximately $22 million per year. In addition, the Port Authority Lease provides that if the Required Conditions have not occurred prior to December 27, 2015, the Port Authority Lease will automatically terminate notwithstanding any prior extension of the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent."

Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date. In the IDA Lease Agreement, the Company will agree that, following the Redevelopment Work Completion Date, it will comply with the procedural provisions of the Port Authority Lease governing the execution, delivery and recording of the Leasehold Mortgage. Such provisions, which are described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions,*" are referred to as the "Section 92(d) Provisions." Any failure of the Company to comply with the Section 92(d) Provisions or any Wrongful Recording of the Leasehold Mortgage would constitute a breach of the IDA Lease Agreement unless such breach is cured as provided in the IDA Lease Agreement and, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived, in writing, by the Port Authority. Even if such a breach could be so cured, the Port Authority will have sole discretion as to whether it will waive any Wrongful Recording of the Leasehold Mortgage and accept such a cure.

In the IDA Lease Agreement, the Company and the Agency will agree, in accordance with the Section 92(d) Provisions, to execute and deliver the Leasehold Mortgage to the Trustee within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions. Simultaneously with such delivery, the Company will be required to deliver to the Trustee an opinion of counsel reasonably satisfactory to the Trustee as to the validity and enforceability of the Leasehold Mortgage. The IDA Lease Agreement will provide that the Company shall direct the Trustee to record the Leasehold Mortgage in the appropriate recording office of the City. **Delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."**

If the Company were to wrongfully execute, deliver or record the Leasehold Mortgage prior to the fulfillment of all Reletting Rights Effective Date Conditions, such action would constitute a material breach of the Port Authority Lease and an event of default thereunder (which the Leasehold Mortgagee would have no right to cure) permitting the Port Authority to terminate the Port Authority Lease, which termination (i) could result in an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the Series 2002 Bonds in whole. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights"

Foreclosure of Leasehold Mortgage. Upon the occurrence and continuation of a Leasehold Mortgage Default as described below, the Leasehold Mortgagee, acting on behalf of the Bondholders, may foreclose upon the Leasehold Mortgage by seeking to (a) exclude the Company from possession of the Premises, if necessary, and (b) have the Company's leasehold interest in the Premises assigned to a successor tenant (a *"Qualifying Replacement Tenant"*) that satisfies the conditions set forth below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards.*" The Qualifying Replacement Tenant would also be required to meet the other conditions described below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards,*" including the payment of a "deferred reletting fee" to the Port Authority.

The "events of default" under the Leasehold Mortgage (each a *"Leasehold Mortgage Default"*) include the occurrence, after the satisfaction of the Reletting Rights Effective Date Conditions, of:

(a) the Leasehold Mortgagee's receipt of a notice from the Port Authority to the effect that the Company is in default under the Port Authority Lease and that the Port Authority has elected to terminate the Port Authority Lease pursuant to its terms (a *"Lease Default"*);

(b) (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture; *provided, however,* if any of the foregoing arises out of an act or omission of the Trustee, despite the payment of any such amounts to the Trustee, then such Event of Default would not be a Leasehold Mortgage Default as described in this paragraph (b) (a *"Bonds Default"*); or

(c) the later of (i) the date of rejection of the Port Authority Lease pursuant to the order of a bankruptcy court, and (ii) the date of such an order of a bankruptcy court if

it triggers a period during which the Trustee must decide whether to exercise its reletting rights (a *"Bankruptcy Rejection Date"*).

Conditions Precedent to Foreclosure. The Port Authority may not terminate the Port Authority Lease so long as the Company's interest in the Premises is encumbered by the Leasehold Mortgage without giving notice and, in most cases, without giving the Leasehold Mortgagee the opportunity to cure as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." To preserve the effectiveness of the Leasehold Mortgage following any Leasehold Mortgage Default, the Leasehold Mortgagee must satisfy certain requirements. As discussed below, such requirements include obligations to commence foreclosure actions in specified periods, to identify a proposed Qualifying Replacement Tenant in specified periods, to pay substantial foreclosure extension fees (if required and if certain conditions are satisfied) and to pay deferred reletting fees. **If any of these requirements are not satisfied or complied with by the Leasehold Mortgagee in a timely manner, the Port Authority Lease and the Leasehold Mortgage will terminate and the Leasehold Mortgagee will be forever precluded from foreclosing upon the Leasehold Mortgage. Upon such termination of the Port Authority Lease (which would result in a termination of the Company Sublease) all of the Bonds are required to be redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest, and without premium.**

1. *Notice.* Within 30 days (which period can be extended to a total of 90 days) after a Leasehold Mortgage Default, the Leasehold Mortgagee must give notice to the Port Authority of its intent to exercise its Reletting Rights (the *"Foreclosure Notice"*). The date of actual service on the Port Authority of the Foreclosure Notice starts the Foreclosure Period as defined below.

2. *Foreclosure Proceedings and Removal of the Company.* The Leasehold Mortgagee must identify to the Port Authority a Qualifying Replacement Tenant to assume from the Company its leasehold interest in the Premises within 270 days following the commencement of the Foreclosure Period (the *"Initial Foreclosure Period"*). The Qualifying Replacement Tenant must satisfy the requirements described below under *"—Obligations of Qualifying Replacement Tenant; Qualification Standards."* If the Company does not agree voluntarily to assign its leasehold interest in the Premises to a Qualifying Replacement Tenant or if the Company fails to vacate the Premises, the Leasehold Mortgagee must promptly, diligently and in good faith commence, continue and seek to complete foreclosure proceedings within the first 90 days of the Initial Foreclosure Period and diligently pursue such proceedings to secure (a) the Company's removal from the Premises, if necessary, and (b) the assignment of the Company's leasehold interest in the Premises to a Qualifying Replacement Tenant. The Initial Foreclosure Period may be extended for up to an additional 450 days (*i.e.*, to a total of 720 days) if the Leasehold Mortgagee has secured the commitment of a Qualifying Replacement Tenant prior to the expiration of the Initial Foreclosure Period and if pending legal foreclosure proceedings are the sole obstacle then preventing a Qualifying Replacement Tenant from taking possession of the Premises (the Initial Foreclosure Period, with any extensions, is hereafter referred to as the *"Foreclosure Period"*). For a more complete description, see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Foreclosure Obligations" and "—Extensions of Foreclosure Period.*"

If the Company's leasehold interest in the Premises has not been assigned to, and assumed by, a Qualifying Replacement Tenant by the end of the Foreclosure Period, the Leasehold Mortgage will be deemed expired and terminated and of no further force or effect. **No assurance can be given that the Leasehold Mortgagee will have sufficient time to complete any necessary foreclosure proceedings during the Foreclosure Period. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Foreclosure Period Payments.* Except as described below under "*—Certain Bankruptcy Matters,*" to preserve the effectiveness of the Leasehold Mortgage upon the commencement of and during the continuation of the Foreclosure Period, the Leasehold Mortgagee must make certain ongoing payments to the Port Authority pursuant to the Port Authority Lease (referred to collectively as the "*Company's Aggregate Port Authority Lease Obligations*"), as follows:

(a) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing to the Port Authority under the Port Authority Lease (in the case of the initial payment, to the extent such amounts have accrued for any and all periods up to the commencement of the Foreclosure Period (which is the date the Foreclosure Notice is actually served on the Port Authority)), including, without limitation, various ground and building rentals and fees, costs and charges for various services and uses.

(b) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing by the Company to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees (in the case of the initial payment, to the extent such amounts have accrued for a period of 60 days up to the commencement of the Foreclosure Period).

In addition to its initial and monthly obligation to pay all current Company's Aggregate Port Authority Lease Obligations, the Leasehold Mortgagee must pay certain additional fees to the Port Authority in order to preserve the effectiveness of the Leasehold Mortgage beyond 180 days from the commencement of the Foreclosure Period ("*Leasehold Mortgage Extension Fees*"). Such fees are not payable during any period when the initial commencement of the Foreclosure Period was due to a Bonds Default and no other Leasehold Mortgage Default has occurred. The following table summarizes the scope of the payments that the Leasehold Mortgagee could be required to make to the Port Authority during the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage:

PAYMENT PERIOD	PAYMENT OBLIGATION
Commencement of Foreclosure Period (*i.e.* Delivery of Foreclosure Notice)	Accrued but unpaid Company's Aggregate Port Authority Lease Obligations.
0-90 days of Foreclosure Period	Current Company's Aggregate Port Authority Lease Obligations.
91-180 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued)	Current Company's Aggregate Port Authority Lease Obligations.
181-270 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
271-360 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
361-540 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $32,361,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
541-720 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $48,541,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.

In 2001 the average monthly Company's Aggregate Port Authority Lease Obligations were approximately $5.4 million. The Indenture establishes a Foreclosure Payment Account within the Leasehold Mortgage Fund for use by the Leasehold Mortgagee to preserve the rights

of the Leasehold Mortgagee under the Port Authority Lease, including making payments to prevent a default under the Port Authority Lease with respect to payments required to preserve the Leasehold Mortgage or, if applicable, the New City/American Lease. Under the IDA Lease Agreement, at the time the Company delivers the executed Leasehold Mortgage to the Trustee following satisfaction of the Reletting Rights Effective Date Conditions, the Company is obligated to deposit into the Foreclosure Payment Account of the Mortgage Reserve Fund either cash or a direct pay letter of credit or surety bond with a value equal to $18.6 million. Such amount is estimated to be equal to three months of the Company's Aggregate Port Authority Lease Obligations in 2006, based on various assumptions. Amounts required to be paid by the Company under the Port Authority Lease may be highly variable and are expected to increase over time, and after the earlier to occur of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date, the rent payable by the Company under the Port Authority Lease will increase significantly. **Accordingly, no assurance can be given that the Foreclosure Payment Account will provide sufficient funds in any year to cover all or any portion of the payments required to be made at the commencement of the Foreclosure Period or during any other part of the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage.** See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage." If the Trustee determines that it is in the best interest of the Bondholders or is directed by the holders of a majority in aggregate principal amount of outstanding Bonds, the Foreclosure Payment Account of the Mortgage Reserve Fund may instead be used to pay debt service on the Bonds following a Leasehold Mortgage Default, in which case the Leasehold Mortgage would terminate. **The Leasehold Mortgage will terminate if the Leasehold Mortgagee fails to make any of the above payments in a timely manner.**

4. *Right of Port Authority to Terminate the Leasehold Mortgage Prior to Foreclosure.* The Leasehold Mortgagee shall not be entitled to foreclose the Leasehold Mortgage or to have the Company's interest assigned in lieu of such foreclosure unless at least 30 days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee shall have given the Port Authority the Foreclosure Notice, which notice shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority has the right, but not the obligation, following notice by the Leasehold Mortgagee as described in the preceding sentence, to terminate the Leasehold Mortgage by paying to the Trustee an amount equal to the principal amount of the Bonds outstanding, including per diem interest to the date of purchase. Exercise of such right by the Port Authority would cause a mandatory redemption of the Series 2002 Bonds at a redemption price of 100% of the unpaid principal thereof, together with accrued interest to the date of redemption and without premium. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Purchase Rights by the Port Authority*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." If the Port Authority shall fail to notify the Leasehold Mortgagee within the 30-day period specified in the notice of its intention to exercise such right, the Leasehold Mortgagee shall be entitled to proceed to foreclose the Leasehold Mortgage or to accept an assignment in lieu of foreclosure in accordance with the provisions of

the Port Authority Lease. Bondholders should not assume that the Port Authority will exercise this option.

Certain Bankruptcy Matters. If any bankruptcy proceedings involving the Company are instituted while the Leasehold Mortgage remains in effect, the obligations of the Leasehold Mortgagee to take the actions (including making certain required payments) described above under "*—Conditions Precedent to Foreclosure*" in order to preserve the Leasehold Mortgagee's rights to foreclose upon the Company's interest in the Premises will be suspended until the earlier to occur of (a) the "rejection" of the Port Authority Lease by the Company as debtor-in-possession or by its bankruptcy trustee or (b) the conclusion of such bankruptcy proceedings. During the pendency of any bankruptcy proceedings, the Leasehold Mortgagee would be precluded from foreclosing upon the Company's leasehold interest in the Premises absent relief from the bankruptcy court. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

1. *Rejection of Port Authority Lease.* In the event that the Port Authority Lease is "rejected" by the Company as debtor-in-possession or by its bankruptcy trustee, the Port Authority has agreed that the Leasehold Mortgagee will become the "deemed lessee" of the Premises following the later of the date of the bankruptcy court's approval of the rejection of the Port Authority Lease and the effective date of the rejection of the Port Authority Lease (the "*rejection date*"). To preserve such right, however, the Leasehold Mortgagee would be required to (a) provide the Foreclosure Notice to the Port Authority as herein described and pay to the Port Authority all current and previously accrued Company's Aggregate Port Authority Lease Obligations, in each case as they become due under the Port Authority Lease from and after the rejection date, and (b) institute appropriate legal proceedings in the bankruptcy court, if necessary, to remove the Company from the Premises as herein described.

2. *Assignment of Port Authority Lease.* If the Port Authority Lease is not "rejected" and is assigned to another entity or person by the Company as debtor-in-possession or by its bankruptcy trustee, and assuming the Leasehold Mortgage remains unaltered and in full force and effect in connection therewith, upon any then-current or subsequent Lease Default (involving such assignee of the Port Authority Lease) or Bonds Default, the Leasehold Mortgagee would again be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the assignee's interest in the Premises.

3. *Conclusion of Proceedings.* Following the Company's emergence from any bankruptcy proceedings, and if the Port Authority Lease was not "rejected" or assigned to another person or entity during the bankruptcy proceedings, the Leasehold Mortgagee would be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the Company's interest in the Premises on account of any then-current or subsequent Lease Default or Bonds Default involving the Company.

Obligations of Qualifying Replacement Tenant; Qualification Standards. The following requirements and obligations are applicable to any Qualifying Replacement Tenant selected by the Leasehold Mortgagee and approved by the Port Authority to succeed to the Company's

interest in the Premises upon the Leasehold Mortgagee's foreclosure under the Leasehold Mortgage:

1. *Assignment and Assumption Agreement.* The Qualifying Replacement Tenant must execute an assignment and assumption agreement with the Port Authority agreeing to be bound by the terms of the Port Authority Lease as if it were the original tenant thereunder, except that the Qualifying Replacement Tenant may (with the Leasehold Mortgagee's approval) agree to lease the Premises for a term that is less than the remaining term of the Port Authority Lease.

2. *Payment of Accrued Company Obligations and Deferred Reletting Fee.* Upon or prior to accepting the assignment and assumption of the Company's interest in the Premises, the Qualifying Replacement Tenant (or the Leasehold Mortgagee) must also pay to the Port Authority:

(a) all accrued Company's Aggregate Port Authority Lease Obligations previously owed and unpaid by the Leasehold Mortgagee pursuant to the Leasehold Mortgage, together with accrued interest thereon at the Port Authority's then prevailing late charges rate; and

(b) a "Deferred Reletting Fee" equal to the product of (1) the Mortgage Amount multiplied by (2) 2% if the default under the Leasehold Mortgage that gave rise to the assignment is a Bonds Default, 3% if the default that gave rise to the assignment is a Lease Default or a Bankruptcy Rejection Date or 4% if there were both (x) a Bonds Default and (y) a Lease Default or a Bankruptcy Rejection Date, further multiplied by (3) a fraction, the numerator of which is the greater of five and the number of full years remaining in the lease term of the Port Authority Lease on the date that the Foreclosure Period commenced, and the denominator of which is the total number of years between December 22, 2000 and the earlier of the day preceding the 30th anniversary of the Redevelopment Work Completion Date or December 21, 2036, which deferred reletting fee may be paid upon the commencement of the reletting or in installments. **The amount of the Deferred Reletting Fee will be significant and may, since it must be paid by the Qualifying Replacement Tenant (or the Bondholders), be a significant impediment to the attraction of a Qualifying Replacement Tenant. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Qualification Standards.* The acceptance of any proposed replacement tenant is subject to approval of the Port Authority and such proposed replacement tenant must be a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under the Port Authority Lease, and who shall each meet all of the requirements described below. The Port Authority will reasonably consider all relevant factors, including whether such proposed replacement tenant, together with each

of its members if it is a consortium, satisfies the following conditions: (a) it has financial resources that are sufficient, in the opinion of the Port Authority, to fulfill all obligations as the lessee of the Premises for the term of its tenancy, (b) it and its 20% owners have a good reputation for integrity and financial responsibility and have not been convicted of a crime and are not currently involved in material civil antitrust or fraud litigation (other than as a plaintiff), (c) it and all of its officers, directors, partners, or 20% owners have had no prior "unfavorable experience" (as defined in the Port Authority Lease) with the Port Authority, (d) it and all of its 20% owners have no "conflict of interest" with the Port Authority or any of its commissioners under applicable policies and laws, and (e) it and all of its 20% owners have not been the subject of bankruptcy proceedings during the prior five years. A "20% owner" refers to any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the proposed Qualifying Replacement Tenant, and if said Qualifying Replacement Tenant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest.

The Agreement Towards Entering Into a Lease provides that under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. Upon any reletting of the Premises to a Qualifying Replacement Tenant without the consent of the City, the City may, at its option, terminate the Agreement Towards Entering Into a Lease.

There can be no assurance that the Leasehold Mortgagee will be able to locate a Qualifying Replacement Tenant capable of satisfying all of the requirements and qualification standards imposed by the Port Authority Lease. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" herein.

No Subsequent Leasehold Mortgages. After a successor lessee succeeds to the Company's interests in the Premises as a result of the Leasehold Mortgagee's exercise of its Reletting Rights under the Leasehold Mortgage, the Leasehold Mortgage terminates and neither the Leasehold Mortgagee nor Bondholders would have any further leasehold mortgage rights with respect to the Premises.

Termination of the Leasehold Mortgage. The Leasehold Mortgage, and the Reletting Rights thereunder, are subject to termination upon the occurrence of any one of several events, including, without limitation, termination or expiration of the Basic Lease or the Port Authority Lease, termination of the Guaranties (when no Bonds are deemed to be outstanding under the Indenture) or expiration of the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." However, the City Attornment Agreement will provide that, subject to certain conditions

described below, the Leasehold Mortgage, if it has then become effective, will continue in effect in the event the Basic Lease is terminated prior to its scheduled expiration date.

Equipment Security Agreement

The Company and the Agency will enter into the Equipment Security Agreement with the Trustee for the benefit of the Bondholders providing for the granting of a security interest in certain items of Facility Equipment which are owned by the Agency and leased to the Company under the IDA Lease Agreement (the "*Collateral*").

Pursuant to the terms of the Equipment Security Agreement, the Trustee, as secured party, may, upon the occurrence of an Event of Default under the Indenture, do one or more of the following:

(i) upon notice to the Company and the Agency, make such payments and do such acts in accordance with its obligations under the Indenture, to maintain, preserve and protect the Collateral and the Trustee's security interest in the Collateral;

(ii) foreclose the Equipment Security Agreement;

(iii) require the Company to assemble all or part of the Collateral as directed by the Trustee and make it available to the Trustee or any other party designated by the Trustee;

(iv) take possession of the Collateral;

(v) sell the Collateral or any part thereof at public or private sale, at such price or prices and upon such other terms as the Trustee may deem commercially reasonable and, at any sale of the Collateral, if permitted by law, the Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof; and

(vi) exercise with respect to the Collateral, in addition to other rights and remedies provided for in the Equipment Security Agreement or otherwise available to the Trustee, all the rights and remedies of a secured party after default under the Uniform Commercial Code.

Proceeds from the exercise of remedies under the Equipment Security Agreement will be applied in accordance with the Indenture. The value of the Collateral is substantially related to its use in connection with the Company's operation of the Premises. The realizable value of the Collateral outside of its use in the Premises will likely be substantially less than its cost.

City Attornment Agreement

In the City Attornment Agreement, the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date and if (i) the Company is not at such time a

Prohibited Person, (ii) no Triggering Event has occurred, (iii) the Company is not in default under the Port Authority Lease and no event then exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iv) the Company is still the tenant under the Port Authority Lease and (v) no event has occurred which would permit the commencement of the exercise of the Reletting Rights, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the City upon the terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the City will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a leasehold mortgage therein) and (C) the Company will recognize the City as its direct landlord thereunder. In such event, the Leasehold Mortgage, if it has then become effective would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement."

The Agreement Towards Entering Into a Lease

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." An official statement dated June 26, 2002 of the Port Authority offering certain of its bonds for sale contained the following statement relating to the Basic Lease: "In 1994, the former administration of the City of New York suspended negotiations to extend the term of such lease. In early 2002, the Port Authority and the City of New York began to discuss various contractual and other matters, including the extension of the term of such lease agreement, and certain disputes pertaining to payments-in-lieu-of-taxes and other real estate tax matters pertaining to the World Trade Center... . Although a definitive schedule for the resolution of these matters has not been established, the current administration of the City of New York has publicly expressed a desire to amicably complete these discussions expeditiously." None of the Company, AMR or the Agency has any independent knowledge as to the factual basis of this statement or whether it accurately reflects the state of affairs between the City and the Port Authority as of the date of this Official Statement.

Pursuant to the Agreement Towards Entering Into a Lease, the City will agree that, if the Basic Lease is not extended to or beyond the latest final maturity date of the Bonds, upon expiration of the Basic Lease, the City will enter into the New City/American Lease with the Company for the lease of the Premises, provided certain conditions are met as described below. The Agreement Towards Entering Into a Lease constitutes an agreement to enter into a lease at a future point in time, but is not itself a lease of the Premises. The Agreement Towards Entering Into a Lease provides that the New City/American Lease shall contain certain terms and conditions as set forth in the Agreement Towards Entering Into a Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of

the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease*" for a summary of such terms and conditions. Pursuant to the Agreement Towards Entering Into a Lease, the City or its designee has the option of including in the New City/American Lease more particular and additional terms and conditions that the City deems appropriate in good faith. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

The Agreement Towards Entering Into a Lease will provide that the term of the New City/American Lease commences following the expiration, but not earlier termination, of the Company's interest under the Port Authority Lease, and shall expire on the earlier to occur of (i) the day preceding the 30th anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036. See "RISK FACTORS—Leasehold Term" herein.

Provided that the Basic Lease has not been extended to or beyond the latest final maturity date of the Bonds, the Agreement Towards Entering Into a Lease will require the Company and the City to execute the New City/American Lease on or before December 31, 2014. If the Basic Lease has been extended or renewed, or a new lease between the City and the Port Authority covering the Airport has been executed, the Agreement Towards Entering Into a Lease will provide that the Company and the City shall execute the New City/American Lease by the date that is 12 months prior to the stated expiration date of the extended or renewed Basic Lease or such new lease. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" herein.

There are certain conditions precedent to the City's obligations under the Agreement Towards Entering Into a Lease to enter into the New City/American Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent*" for a summary of such conditions precedent. As of the date of this Official Statement, the Company has no reason to believe that it will not be in compliance with any condition precedent to the City's obligations under the Agreement Towards Entering Into a Lease (other than the extension of the Basic Lease). See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" herein.

The City may terminate the Agreement Towards Entering Into a Lease if certain events occur. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Remedies; Termination by the City*" for a summary of such events. As of the date of this Official Statement, the Company has no reason to believe that any default under the Agreement Towards Entering Into a Lease has occurred, or that any condition exists, or with the giving of notice and/or passage of time would exist, to give rise to the termination of the Agreement Towards Entering Into a Lease.

The Agreement Towards Entering Into a Lease also will provide that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the

obligations of the Company under the Agreement Towards Entering Into a Lease. If the Agreement Towards Entering Into a Lease is terminated by reason of an event of default thereunder or otherwise (except by reason of a failure of the City and/or the Company to negotiate, execute or deliver the New City/American Lease), the City will give prompt notice thereof to the Trustee, as Leasehold Mortgagee. If such default is capable of cure by the Trustee, as Leasehold Mortgagee without possession of the Premises, such termination will not be effective until 30 days after delivery of such notice to the Trustee, and, if the Trustee, as Leasehold Mortgagee, notifies the City in writing within such 30 day period that it intends to cure such default or cause such default to be cured, then the Agreement Towards Entering Into a Lease will not terminate and the Trustee will have 60 days to cure or cause the cure of such default from the date it delivers the latter notice to the City. If such default is not cured within such 60 day period afforded to the Trustee, then the City may terminate the Agreement Towards Entering Into a Lease upon written notice to the Trustee and upon such delivery of such notice the Agreement Towards Entering Into a Lease will terminate.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage shall have become effective, the Leasehold Mortgagee will not have any rights to cure any defaults.**

New Leasehold Mortgage Upon Expiration of the Basic Lease

The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, *provided* that certain conditions are satisfied. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to negotiate a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant a leasehold mortgage substantially similar to one or more comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee. **See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms," "—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" and "—Certain Considerations under the United States Bankruptcy Code."**

Company Sublease; The Lease Term Differential

Term of Company Sublease. Under the Act, the Agency must have a leasehold interest in the facilities financed with the proceeds of its bonds. To accomplish this the Company and the Agency will enter into the Company Sublease pursuant to which the Company will sub-sublease to the Agency the Leased Facilities. Upon a termination of the Company Sublease, the Series 2002 Bonds and all Additional Bonds outstanding under the Indenture will be subject to mandatory redemption at a redemption price equal to 100% of the unpaid principal amount of the Bonds outstanding, together with accrued interest to the date of redemption, and without premium. The term of the Company Sublease shall terminate on the earliest of:

(i) the expiration or earlier termination of the IDA Lease Agreement;

(ii) the earlier of (x) two days preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date and (y) December 20, 2036;

(iii) the date on which no Bonds are "Outstanding" under the Indenture;

(iv) the termination of the Basic Lease *provided* that the Company Sublease shall not terminate on the termination of the Basic Lease if the New City/American Lease is effective upon the termination of the Basic Lease or if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City;

(v) the termination of the Port Authority Lease prior to its expiration, *provided* that the Company Sublease shall not terminate on the termination of the Port Authority Lease if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City; or

(vi) except under certain limited circumstances, the termination of the New City/American Lease (or such other leases as set forth in the Company Sublease pursuant to which the Company may be leasing the Premises at that time) or one day prior to its scheduled expiration subsequent to the expiration of the Port Authority Lease without extension or renewal.

The Company Sublease specifically provides that any assignment of the Company's rights thereunder or substitution of the Company under the Company Sublease in accordance with the provisions of the Security Documents shall not result in the termination of the Company Sublease.

Lease Term Differential. The Port Authority Lease provides that its term shall expire on December 27, 2015, which is four days earlier than the expiration date of the Basic Lease, and each of the Company Sublease and the IDA Lease Agreement expires one day earlier than the lease from which it derives. Consistent with the foregoing, the term of any New City/American Lease shall not commence (if ever) until after the expiration, but not earlier termination, of the Port Authority Lease. Therefore, there could be a gap in the Company's legal possession of the Premises. In addition, if the Port Authority Lease is extended, there will continue to be a gap

between the expiration of the Port Authority Lease and the commencement of the New City American Lease. With respect to this gap between the Company's right of possession under the Port Authority Lease and the Company's right of possession under the New City/American Lease, the Port Authority has agreed pursuant to the Port Authority Lease not to commence any action against the Company seeking possession of the Premises or dispossession of the Company from the Premises unless the Port Authority is required to do so by contract, lease, law, court order or otherwise, so long as it has not given a notice of termination in accordance with the terms of the Port Authority Lease.

Pursuant to the Company Sublease, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of such a gap in the Company's legal possession of the Premises as described above. **However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement. See "RISK FACTORS—Leasehold Term."** Upon such a termination (if the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated), the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding together with accrued interest thereon to the redemption date, and without premium.

RISK FACTORS

In determining whether to purchase the Series 2002 Bonds, each potential purchaser of the Series 2002 Bonds should carefully consider, among other matters, the following risk factors, along with all other information described elsewhere or incorporated in this Official Statement. The following discussion is not meant to be an exhaustive list of all of the risks associated with a purchase of the Series 2002 Bonds and does not necessarily reflect the relative importance of the various risks.

Company and AMR Financial Condition

Payment of the Series 2002 Bonds and any Additional Bonds is dependent upon the ability of the Company to make all required payments under the IDA Lease Agreement and the Company Guaranty and the ability of AMR to make all required payments under the AMR Guaranty. See APPENDIX A—"AMERICAN AIRLINES, INC. AND AMR CORPORATION" for information concerning the Company and AMR.

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISION OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Special Risk Factors Related to the Company and AMR

On September 11, 2001, two of the Company's aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft also were hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (the *"FAA"*) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan National Airport, which has since fully reopened). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the *"Stabilization Act"*) which for all United States airlines and air cargo carriers (*"air carriers"*) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the terrorist attacks on the United States, of which the Company and TWA LLC had received approximately $791 million as of June 28, 2002 and expect to receive additional payments in 2002 of approximately $41.6 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expired 180 days after the enactment of the Stabilization Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Stabilization Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether for compensatory or punitive damages, arising from the terrorist-related events

of September 11, 2001 against any air carrier shall not exceed liability coverage maintained by the air carrier.

In November 2001, the Aviation and Transportation Security Act (the *"Aviation Security Act"*) was enacted. The Aviation Security Act imposes additional security requirements on air carriers that may require the installation by the Company of additional equipment at the Airport and at other U.S. airports. The cost of any such additional equipment and whether any remodeling of the Project or facilities at other U.S. airports will be required in connection therewith is not known by the Company at this time. The Company will, however, comply with any such requirements imposed by the Aviation Security Act.

Among the effects experienced by the Company from the September 11, 2001 terrorist attacks have been significant flight disruption costs caused by the FAA's imposed grounding of the U.S. airline industry's fleet, significantly increased security and other costs, significantly higher ticket refunds, significantly reduced load factors and significantly reduced yields. The occurrence of another terrorist attack (whether domestic or international and whether against the Company or another entity) could again have a material adverse impact on the Company, its finances and/or its operations.

The impact of the events of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Stabilization Act, taking into account any challenges to and interpretations or amendments of the Stabilization Act or regulations issued pursuant thereto.

Due in part to the lack of predictability of future traffic, business mix and yields, the Company continues to have difficulty in estimating the impact of the events of September 11, 2001 and their consequences and the sufficiency of its financial resources to absorb that impact. However, given the magnitude of these unprecedented events and the possible subsequent effects, as well as higher unit costs coupled with the revenue pressures seen in the first quarter of 2002, the Company expects to incur a significant loss for 2002.

Because the Company is the principal subsidiary of AMR, all of the above risks are applicable to AMR as well.

AMR has stated that it anticipates announcing its second quarter 2002 earnings on July 17, 2002, and that in conjunction with such announcement it will host a conference call. A live webcast of the call will be available on the AMR website (www.amrcorp.com) under Investor Relations.

Risk Factors Related to the Airline Industry

The airline industry, in general, is cyclical and characterized by high sensitivity to general economic trends, intense competition among air carriers and significant fuel, labor, equipment, regulatory and other costs. The profitability of the industry has fluctuated dramatically since its deregulation in 1978. Additionally, since 1985, a series of airline mergers, takeovers, asset transfers and bankruptcies have resulted, and may continue to result, in a consolidation of the industry. See APPENDIX J—"GATE DEMAND STUDY."

Leasehold Term

Although the Port Authority has, subject to certain conditions, agreed to extend the term of the Port Authority Lease if the Basic Lease is extended, there can be no assurance that the Port Authority will be able to secure an extension of the term of the Basic Lease beyond its scheduled expiration date of December 31, 2015, or that the Company will be able to fulfill all conditions precedent to any extension of the Port Authority Lease if the Port Authority is able to extend the Basic Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." In addition, the Port Authority may include additional terms and provisions in any amendments or supplements to the Port Authority Lease in order to pass through to the Company any additional or substitute terms and conditions contained in any extension of the Basic Lease. It is impossible to predict at this time what those terms might be.

If the Basic Lease (and thus the Port Authority Lease) is not extended, there can be no assurance that all conditions precedent to the delivery and execution of the New City/American Lease will be fulfilled. See "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" below for further discussion.

If the Port Authority Lease is not extended and all conditions precedent to the delivery and execution of the New City/American Lease are not met, the Company will not hold a leasehold interest in the Premises beyond December 27, 2015. The failure to execute an extension of the Port Authority Lease or to enter into the New City/American Lease would cause a termination of the Company Sublease which would result in a mandatory redemption of all outstanding Bonds at a redemption price equal to 100% of the principal amount of Series 2002 Bonds and all Additional Bonds outstanding, together with accrued interest to the date of redemption, and without premium. Since the Leasehold Mortgage will have terminated, the obligation of the Company (and of AMR under the AMR Guaranty) to pay the redemption price would be unsecured other than to the extent that the Bonds are secured by the Equipment Security Agreement.

If the Basic Lease is not extended, there can be no assurance that the Port Authority will not continue to assert claims to the use and occupancy of the Airport or assert the right to collect

rent from the Company. Should both the City and the Port Authority assert the right to collect rent from the Company at the Airport at such time, the Company is obligated under the Port Authority Lease to continue to pay rent to the Port Authority and the Company is obligated under the Agreement Towards Entering Into a Lease to pay rent to the City.

Pursuant to the Company Sublease and the IDA Lease Agreement, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of the gap in the Company's legal possession of the Premises, as described under "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential." However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement, which agreements may or may not be effectively reinstated upon the commencement of the lease term under the New City/American Lease, if any. In the event the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated, the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding, together with accrued interest to the redemption date, and without premium.

Assignment of the Company's Interest in the Port Authority Lease

The Company is not restricted under either the Company Sublease or the IDA Lease Agreement from assigning the Port Authority Lease to a third party, although such an assignment would require the prior written consent of the Port Authority. However, no such assignment would relieve the Company of its obligations under the IDA Lease Agreement or the Company Guaranty or AMR of its obligations under the AMR Guaranty.

Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the other Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities and to satisfy the other Reletting Rights Effective Date Conditions will result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the Company's and AMR's obligations under the Guaranties will not be secured by any leasehold mortgage of the Company's interest in the Premises and the only source of payment of the Bonds (including the Series 2002 Bonds) will be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting."

The delayed execution and recording of the Leasehold Mortgage will result in the lien on the Company's interest in the Premises being subordinate to any liens on the leasehold interest recorded prior to the recording of the Leasehold Mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code" below.

Although the Company currently estimates that the construction of the Leased Facilities will be substantially completed in August, 2006, and that the other Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007, prospective investors should consider that completion of the construction of the Leased Facilities by the anticipated completion date could be adversely affected by such factors as (a) estimating errors, (b) design and engineering errors, (c) delays in the award or processing of construction contracts or changes in construction plans, (d) unforeseen site conditions, (e) labor difficulties, (f) adverse weather conditions, (g) contractor defaults and (h) other construction related delays. The ability of the Company to complete the Leased Facilities depends on the ability of the Company to provide additional funding, either through the issuance of Additional Bonds or from other sources, in an amount that is currently estimated to be approximately $800 million. See "THE PROJECT; PLAN OF FINANCE," and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE." Pursuant to the Port Authority Lease, the Port Authority retains substantial control over the Project. To the extent that the Company must obtain approvals from the Port Authority to complete the Project, the Company may encounter delays and incur additional expenses. There is no assurance that the Port Authority will grant any approval for actions with respect to the Project and any failure or refusal of the Port Authority to grant any such approval could have a negative effect on the Company and the Leased Facilities. If the Project is not substantially completed, the Leasehold Mortgage cannot be executed, delivered or recorded. See "THE PROJECT; PLAN OF FINANCE."

Circumstances under Which the Leasehold Mortgage Can Terminate

The Leasehold Mortgage will terminate automatically upon the occurrence of certain events as set forth in the Port Authority Consent. See APPENDIX G— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." If such events were to occur, the obligations of the Company and of AMR under the Guaranties would cease to be secured by the Leasehold Mortgage.

Termination of the Port Authority Lease

The Port Authority has the right to terminate the Port Authority Lease following the occurrence of certain events set forth therein, subject to the rights of the Leasehold Mortgagee to cure such default, if applicable. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE" for a description of the events that give rise to the Port Authority's right to terminate the Port Authority Lease. In addition, a violation of certain covenants and representations by the Company under the Port Authority Consent would constitute a material breach of the Port Authority Lease, allowing the Port Authority to terminate the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*" and APPENDIX G— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage.*" Termination of the Port Authority Lease due to a default by the Company thereunder (i) would be an event of default under the Indenture which could cause an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the

Series 2002 Bonds and all Additional Bonds at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. Such a termination of the Port Authority Lease also would result in the loss of the opportunity to enter into the New City/American Lease and, therefore, the loss of the Company's possession of the Premises and its right to use the Terminal.

Upon the occurrence of certain Triggering Events set forth in the Port Authority Lease (which include the failure to make certain payments required under the Port Authority Lease and other agreements with the Port Authority and certain adverse changes to the Company), the Port Authority Lease will be deemed to be a "permitted tenancy" on a month-to-month periodical basis. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority." Such permitted tenancy may continue until the date on which the Port Authority Lease would have expired had such Triggering Events not occurred. After four consecutive calendar quarters have elapsed after a Triggering Event, the Company and the Port Authority will enter into a supplemental lease. There can be no assurance that the terms and provisions of such a supplemental lease would be acceptable to the Company and that the Company would continue to occupy the Premises following such a Triggering Event. **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the leasehold mortgagee to foreclose the new leasehold mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."** Under New York law such a month-to-month tenancy could be terminated by either party, upon 30 days' notice, for any reason.

Upon a conversion to a month-to-month tenancy, the Company's interest in the Premises could be of little or no value and, therefore, the Leasehold Mortgage would offer little or no security for the obligations of the Company or AMR.

The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms

Pursuant to the Agreement Towards Entering Into a Lease, there are certain conditions precedent to the City's obligations to enter into the New City/American Lease. There can be no assurance that such conditions precedent to the execution of the New City/American Lease by the City will be met, or if they are not met, that the City will waive such conditions. If the City and the Company do not enter into the New City/American Lease prior to the expiration, if any, of the Port Authority Lease, the Company's leasehold interest in the Premises will expire, the Company Sublease will terminate and the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. **In such event, if the Company (or AMR under the AMR Guaranty) were unable to pay the redemption price, the Bondholders would have no recourse under the Leasehold Mortgage since the Port Authority Lease would have expired.**

The terms of the New City/American Lease may contain terms and conditions substantially different from those in the Port Authority Lease, which terms and conditions may adversely affect the value of the Company's leasehold interest in the Premises. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease.*" **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F —"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."**

The Leasehold Mortgage, by its terms, terminates upon the expiration without renewal of the Basic Lease between the City and the Port Authority. The Basic Lease is currently scheduled to expire on December 31, 2015. The City has agreed in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease at the time the New City/American Lease becomes effective. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

At the time of recording such a new leasehold mortgage, a mortgage recording tax (the *"Recording Tax"*) could be imposed. Currently, the Recording Tax is equal to 2.75% of the principal amount secured by such a leasehold mortgage. The Leasehold Mortgage is exempt from the Recording Tax. There can be no assurance, however, that such an exemption from the Recording Tax would be available at the time of recording of a new leasehold mortgage covering the New City/American Lease. If a Recording Tax were imposed at the time of recording of such a new leasehold mortgage covering the New City/American Lease, the amount of the Recording Tax could be based on the current rate or a higher rate. Such an amount would be substantial and there are no funds reserved for payment of such a Recording Tax. The Company has covenanted to pay the Recording Tax upon recording such a new leasehold mortgage covering the New City/American Lease, but if the Recording Tax is not paid, such a leasehold mortgage would not be recorded and the Company's and AMR's obligations under the Guaranties would not be secured by a leasehold mortgage of the Company's interest in the Premises under the New City/American Lease.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to grant to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee.

There can be no assurance that any such new leasehold mortgage of the Company's interest in the Premises under the New City/American Lease will have terms similar to the Leasehold Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed.

The Agreement Towards Entering Into a Lease also provides that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the obligations of the Company under the Agreement Towards Entering Into a Lease.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage has become effective, the Leasehold Mortgagee will not have any rights under the Agreement Towards Entering Into a Lease with the City.**

Entering into a new leasehold mortgage could result in the lien on the leasehold interest in the Premises being subordinate to any liens on the leasehold interest recorded prior to the recording of the new leasehold mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code" below.

Section 1301(2)(1) of the City Charter provides that no lease of airport property, such as the New City/American Lease, may be executed by the Commissioner of Business Services until a public hearing has been held with respect thereto after the publication of notice in the City Record at least thirty days in advance. In order for the City to execute and deliver the New City/American Lease, such a public 1301 Hearing must be held.

Insurance Coverage

The Company is obligated under the Port Authority Lease to obtain and keep in force, or cause to be kept in force, certain comprehensive insurance with respect to the Leased Facilities to the extent of the replacement value of such facilities, including business interruption insurance. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Insurance." There is no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which the Company is insured will cover all unanticipated losses.

The Port Authority Lease provides that insurance coverages will be payable to the City. In the event of partial or total loss of the Leased Facilities, the proceeds of casualty insurance may not be sufficient to rebuild the Leased Facilities, or be available for redemption of the Bonds, including the Series 2002 Bonds.

If the Company is unable to rebuild or restore the Leased Facilities, or if it estimates that it will be unable to rebuild or restore the Leased Facilities within the periods required by the Port Authority Lease, the Port Authority Lease could be terminated. There can be no assurance that any business interruption insurance will be sufficient to pay amounts due under the Port Authority Lease and principal of and the interest on the Series 2002 Bonds and any Additional Bonds during the period of rebuilding.

Additional Bonds

The Series 2002 Bonds are being issued to finance a portion of the cost of the Project and the Company currently intends to finance the completion of the Project with the issuance of Additional Bonds (*provided* that the maximum principal amount of Bonds, including the Series 2002 Bonds, cannot exceed $2,300,000,000) under the Indenture which will rank on a parity with the Series 2002 Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds."

The issuance of Additional Bonds would dilute the value of the security relating to the then outstanding Bonds, including the value of the security created under the Leasehold Mortgage, if any, and the Equipment Security Agreement. See "SECURITY FOR THE BONDS." This could result in a reduction in the cash available to make payments of principal of and interest on the Series 2002 Bonds. The issuance of Additional Bonds increases the indebtedness of the Company, which could have a negative impact on the ability of the Company to pay its obligations with respect to the Bonds.

No Mortgage Title Insurance

Upon initial issuance of the Series 2002 Bonds a leasehold title insurance policy for the benefit of the Agency will be obtained in the amount of $1,000,000. No additional title insurance will be obtained in connection with the issuance of any Additional Bonds. No mortgage title insurance will be obtained.

Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage

Upon and during a Leasehold Mortgage Default the Leasehold Mortgagee may seek to foreclose upon the Company's leasehold interest in the Premises under the Port Authority Lease and assign such interest to a Qualifying Replacement Tenant. The sole right of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default is to exclude the Company from possession of the Premises and to select a Qualifying Replacement Tenant during the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*" See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" for a more detailed discussion of the leasehold mortgage rights granted to the Leasehold Mortgagee. Certain practical and legal

considerations, however, could inhibit or materially delay the Leasehold Mortgagee's ability to foreclose upon its interests in the Port Authority Lease or to locate a Qualifying Replacement Tenant for the Premises and could otherwise preclude the receipt of sufficient revenues following a foreclosure to repay all the Bonds.

Effect of Company Bankruptcy. In addition to giving rise to the possibility of avoidance of the Leasehold Mortgage as a preference or a fraudulent conveyance and limited damages against the Company as described below under "—Certain Considerations Under the United States Bankruptcy Code," during a bankruptcy of the Company certain procedural and substantive provisions of the United States Bankruptcy Code could significantly delay or inhibit the Leasehold Mortgagee's ability to cause the Company to initially grant the Leasehold Mortgage or to surrender any or all of the Premises so that the Company's leasehold interest in such Premises could be assigned to a Qualifying Replacement Tenant. In particular, the automatic stay imposed upon a bankruptcy filing would prohibit the future grant of a Leasehold Mortgage upon either the Port Authority Lease or the New City/American Lease absent bankruptcy court approval. In addition, while the Leasehold Mortgage, if it has been executed and recorded, would permit the Bondholders to be treated as secured creditors in a bankruptcy proceeding involving the Company, the automatic stay against foreclosure on the Leasehold Mortgage would mean that the Leasehold Mortgagee would not be able to foreclose on the Leasehold Mortgage and obtain a Qualifying Replacement Tenant for the Premises during the pendency of the bankruptcy proceeding. Since prepetition claims are not typically paid during a bankruptcy, absent special circumstances, such as the granting of adequate protection under Section 361 of the United States Bankruptcy Code, there can be no assurance that the Company will not suspend its payments in respect of the Bonds during the pendency of any bankruptcy proceedings.

Limited Foreclosure Period. If the Company does not consent to the assignment of its rights and obligations with respect to the Premises to a new tenant following a Leasehold Mortgage Default, the Leasehold Mortgagee will have a maximum of 720 days following the delivery by the Leasehold Mortgagee to the Port Authority of the Foreclosure Notice stating the Leasehold Mortgagee's intention to exercise its rights under the Leasehold Mortgage to foreclose upon the Company's interest in the Premises pursuant to the Leasehold Mortgage. Under New York law, the Leasehold Mortgagee must comply with many procedural requirements to foreclose on the Leasehold Mortgage. These include time-consuming filing and notice requirements. In addition, a judgment of foreclosure must be obtained from applicable administrative and/or judicial authorities and acted upon by the local sheriff. It is possible, particularly if the Company or any of its other creditors challenge the foreclosure, that the Leasehold Mortgagee may not be able to foreclose within the up to 720 day time period and, in such event, the Leasehold Mortgagee would lose its right to obtain a Qualifying Replacement Tenant for the Premises.

Leasehold Mortgagee's Obligations During Foreclosure Period. As a condition to exercising its rights under the Leasehold Mortgage, the Leasehold Mortgagee must pay to the Port Authority all accrued but unpaid Company's Aggregate Port Authority Lease Obligations at the time the Leasehold Mortgagee delivers the Foreclosure Notice. Further, the Leasehold Mortgagee will thereafter be responsible for paying all current Company's Aggregate Port

Authority Lease Obligations not paid by the Company under the Port Authority Lease from and after the date it elects to enforce its rights under the Leasehold Mortgage. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments.*" The Indenture will establish a Foreclosure Payment Account held in the Mortgage Reserve Fund to be funded by the Company at the time the Company delivers the executed Leasehold Mortgage to the Trustee following satisfaction of the Reletting Rights Effective Date Conditions. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments,*" and in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease.*" There is no assurance, however, that the Company will have the funds necessary to fund the Foreclosure Payment Account of the Mortgage Reserve Fund. The amount required to be deposited in the Foreclosure Payment Account of the Mortgage Reserve Fund is estimated to be equal to three months of the Company's Aggregate Port Authority Lease Obligations in 2006, based on various assumptions. Amounts in the Foreclosure Payment Account may be used to preserve the rights of the Leasehold Mortgagee under the Port Authority Lease while the Leasehold Mortgagee is attempting to locate a Qualifying Replacement Tenant for the Premises (which might thereafter assume any further obligations that would accrue during the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage until it can gain possession of the Premises). Amounts required to be paid by the Company under the Port Authority Lease may be highly variable and are expected to increase over time, and after the earlier to occur of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date, the rent payable by the Company under the Port Authority Lease will increase significantly. There can be no assurance that the Foreclosure Payment Account of the Mortgage Reserve Fund will, in fact, be adequate for its purpose, or that any Qualifying Replacement Tenant, if located, would be willing to assume any such further obligations that accrue during the Foreclosure Period. If the Foreclosure Payment Account of the Mortgage Reserve Fund is not sufficient, the Bondholders may be compelled to choose between providing additional funds to the Leasehold Mortgagee for that purpose on the one hand and losing their rights under the Leasehold Mortgage on the other hand.

One Time Right. The provisions of the Port Authority Lease governing the Leasehold Mortgage permit the Company to grant the Leasehold Mortgage one time only. Once the Leasehold Mortgagee begins to exercise its Reletting Rights, those Reletting Rights can never be exercised again whether or not a Qualifying Replacement Tenant is selected by the Leasehold Mortgagee and approved by the Port Authority. Once the Foreclosure Period begins, any failure of the Leasehold Mortgagee to file any notices, to make any payments or to comply with any other relevant provision of the Port Authority Lease will terminate the Reletting Rights forever. In addition, the Port Authority Lease provides that subsequent tenants will not be allowed to mortgage their interests in the Premises. Thus, the Leasehold Mortgagee and Bondholders will have no further rights or interests in the Premises following the assignment of the rights and obligations of the Company under the Port Authority Lease to a Qualifying Replacement Tenant.

Uncertain Gate Demand; Availability of Competing Facilities. The likelihood that the Leasehold Mortgagee would be able to find a Qualifying Replacement Tenant for the Premises

would be affected by the supply of and demand for gates at the Airport and in the greater New York area. Such supply and demand cannot be predicted at this time and could be affected by such factors as an economic downturn in the area at the time the Leasehold Mortgagee is seeking a Qualifying Replacement Tenant. In addition, the requirements that any Qualifying Replacement Tenant for the Premises make certain payments as discussed further under "*—Assumption of Bond Obligations*" above and "*—Payment of Deferred Reletting Fee to the Port Authority*" below, particularly if competing facilities are available without those payment requirements, could make it difficult for the Leasehold Mortgagee to locate a Qualifying Replacement Tenant for the Premises. In any event, no assurance can be given as to whether the Leasehold Mortgagee can obtain a Qualifying Replacement Tenant.

See the Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. attached hereto as Appendix J. The assumptions, findings and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency or the Company.

Assumption of Bond Obligations. Finding a successor tenant who is willing to satisfy all payment requirements of a Qualifying Replacement Tenant as set forth below and who will also assume all or part of the obligation to pay the Bonds then outstanding will be difficult, especially if there are other facilities available at the Airport. Also, such potential successor tenant could lease the Premises from the Port Authority at the end of the Foreclosure Period (up to 720 days) without making any such payments. A Qualifying Replacement Tenant is not required to assume all or any part of the obligation to pay the Bonds.

Requirement for Single Successor Tenant or Consortium of Tenants. The Port Authority Lease provides that the Leasehold Mortgagee may assign the Port Authority Lease only to a single tenant or to a consortium of tenants, each of which is jointly and severally responsible for the consortium's liabilities and meets certain requirements described under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards,*" but not to multiple tenants that are not part of a consortium. This limits the availability of potential Qualifying Replacement Tenants.

Payment of Deferred Reletting Fee to the Port Authority. As a condition to assuming the Company's rights and interests with respect to the Premises, the Leasehold Mortgagee or a Qualifying Replacement Tenant must pay to the Port Authority at the time of such assumption a deferred reletting fee. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards—Payment of Accrued Company Obligations and Deferred Reletting Fee.*" This fee, and the fact that the Port Authority could lease the same property to the same tenant immediately following the expiration of the term of the Foreclosure Period under the Leasehold Mortgage (*i.e.*, up to 720 days) without regard to this fee, could impair the ability of the Leasehold Mortgagee to find a Qualifying Replacement Tenant willing to assume the Company's obligations with respect to the Leased Facilities under the IDA Lease Agreement and the Port Authority Lease.

Limitations on Successor Tenants. Any proposed replacement tenant is subject to approval of the Port Authority. In addition, both the Agreement Towards Entering Into a Lease

and the City Attornment Agreement are subject to termination, at the option of the City, if a Qualifying Replacement Tenant succeeds to the Company's leasehold interest in the Port Authority Lease and such Qualifying Replacement Tenant has not been approved by the City. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease." As described above under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards*," the Port Authority is entitled to consider a number of factors in determining whether to provide its consent to a proposed replacement tenant selected by the Leasehold Mortgagee. Some of the factors the Port Authority may consider in deciding whether to approve a proposed replacement tenant provide the Port Authority with significant discretion to reject any proposed replacement tenant who is otherwise willing and able to assume the Company's rights and obligations under the Port Authority Lease with respect to the Premises.

Certain Considerations under the United States Bankruptcy Code

Bankruptcy of Company. In the event a bankruptcy case is filed with respect to the Company, a bankruptcy court could determine that the IDA Lease Agreement is an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code. In that event, a trustee in bankruptcy or the Company as a debtor-in-possession might reject the IDA Lease Agreement. Any rejection of the IDA Lease Agreement could result in a claim for damages against the Company in connection with the Series 2002 Bonds and all Additional Bonds, which claim would rank as that of a general unsecured creditor of the Company. If the IDA Lease Agreement were determined to be an unexpired lease of non-residential real property, under Section 502(b)(6) of the United States Bankruptcy Code the amount of such corresponding claim would be limited to the rent payable under the IDA Lease Agreement (without acceleration) for the greater of one year or 15% of the remaining term of the IDA Lease Agreement, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the Agency repossessed or the Company surrendered the Leased Facilities under the IDA Lease Agreement, plus any unpaid rentals under the IDA Lease Agreement (without acceleration) on the earlier of such dates. In this event, any claim with respect to Series 2002 Bonds and Additional Bonds that does not mature (absent acceleration) within the period of one year or 15% of the remaining term of the IDA Lease Agreement (but not in excess of three years) following the bankruptcy commencement dates (*i.e.*, the earlier of (a) or (b) above) could be limited to the interest which would accrue on such Series 2002 Bonds during such period and may not permit a claim for the recovery of principal since it is anticipated that there will be no principal amortization of the Series 2002 Bonds and the Additional Bonds until August 1, 2015. As a result, owners of the Series 2002 Bonds could suffer a substantial loss with respect to their investment in the Series 2002 Bonds. Moreover, even if the IDA Lease Agreement is not found to be an executory contract or unexpired lease, the treatment accorded the claim represented by the IDA Lease Agreement in the bankruptcy, through a plan of reorganization or otherwise, could adversely affect the funds available to pay the Series 2002 Bonds.

Pursuant to the terms of the Guaranties, the Company and AMR have separately unconditionally guaranteed to the Trustee, for the benefit of the owners of the Series 2002 Bonds and all Additional Bonds, the full and prompt payment of the principal and purchase price of, and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by redemption, acceleration or otherwise, and the full and prompt payment of the interest on the Bonds when and as the same shall become due and payable as provided in the Indenture. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES." The obligations covered by the Guaranties are intended by the parties to be independent of those set out in the IDA Lease Agreement (and thereby not subject to United States Bankruptcy Code limitations on claims for damages with respect to non-residential real property leases described above) and to be enforceable without regard to the validity or enforceability of the IDA Lease Agreement or any obligation of the Company contained therein. In the event a bankruptcy case were filed with respect to the Company or AMR, the Trustee may file a claim pursuant to the applicable Guaranty, independent of any claim under the IDA Lease Agreement, for the payment of all amounts, if any, required for the payment of the principal and purchase price of, premium, if any, and interest on the Bonds when due. Such claim, if allowed, would rank as that of a general unsecured creditor of the Company or AMR, respectively, unless the Leasehold Mortgage has become effective. A bankruptcy court could determine, however, that the Trustee's claim under the applicable Guaranty or the Guaranties should be limited to the same extent as the United States Bankruptcy Code limitation of claims for termination damages with respect to non-residential real property leases described above in connection with a claim under the IDA Lease Agreement and the Leasehold Mortgage would secure only such limited obligations of the Company and AMR. No assurance can be given that the Trustee's claims in connection with the applicable Guaranty or the Guaranties will not be so limited. In such an event, the applicable Guaranty or the Guaranties would provide no additional security for payments due on the Series 2002 Bonds.

No representation or warranty is made by the Company, AMR or any other party that any claim under the IDA Lease Agreement or the Guaranties will be allowed or that any recovery on any such claim will be permitted under the United States Bankruptcy Code. AMR is a holding company with no direct operations and no significant assets other than the stock of its subsidiaries. Therefore, in the event of a bankruptcy filing or monetary default by the Company, the value of the AMR Guaranty may be adversely affected.

If after the date, if any, that (i) the Leasehold Mortgage is recorded, or (ii) a new leasehold mortgage is executed and recorded covering the New City/American Lease, a bankruptcy case is filed with respect to the Company, a bankruptcy court could determine that the grant of the Leasehold Mortgage with respect to either the Port Authority Lease or the New City/American Lease constituted a preference or a fraudulent transfer under the United States Bankruptcy Code and, therefore, the grant of the Leasehold Mortgage with respect to the Port Authority Lease or the New City/American Lease, as applicable, could be avoided or set aside. In addition, in either such a bankruptcy proceeding or a state court proceeding by an unpaid creditor, a court could find that the grant of the Leasehold Mortgage with respect to either the Port Authority Lease or the New City/American Lease constituted a fraudulent conveyance under state fraudulent conveyance laws and, therefore, the grant of the Leasehold Mortgage with

respect to either the Port Authority Lease or the New City/American Lease, as applicable, could be avoided or set aside. The time periods applicable to preferences under the United States Bankruptcy Code, fraudulent transfer under the United States Bankruptcy Code and fraudulent conveyances under state law vary and therefore, if one or two such time periods have expired but at least one time period remains open, such mortgage grant remains subject to avoidance or set aside. Moreover, there is no assurance as to what standard a court would apply to determine if the Company was solvent at the relevant time period. In the event that the Leasehold Mortgage is avoided or set aside, the Company's and AMR's obligations under the Guaranties will not be secured by any leasehold mortgage of the Company's interest in the Premises and the only source of payment of the Bonds (including the Series 2002 Bonds) or recourse will be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty.

Bankruptcy of City. The New York Local Finance Law (McKinney's Local Finance Law) currently authorizes the City to be a debtor under the applicable provisions of the United States Bankruptcy Code with respect to municipalities. If the City should file a proceeding under Chapter 9 of the United States Bankruptcy Code, it is possible that actions could be taken in that case, despite the existence of Section 929 of the United States Bankruptcy Code, which would impact or alter the Basic Lease, the Agreement Towards Entering Into a Lease, the City Attornment Agreement or, if in effect, the New City/American Lease. Such actions could adversely affect the security for the Series 2002 Bonds.

Possible Loss of Tax-Exempt Status of Interest on Series 2002 Bonds

On the date of delivery of and payment for the Series 2002 Bonds, Bond Counsel will render its opinion with respect to the tax-exempt status of the interest on the Series 2002 Bonds, the form of which opinion is set forth in APPENDIX I—"FORM OF OPINION OF BOND COUNSEL." See also "TAX MATTERS" herein.

In the event the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is determined to be includable in gross income of holders or Beneficial Owners of the Series 2002 Bonds for federal tax purposes, the Series 2002 Bonds will be subject to mandatory redemption as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability*" herein. In such event, there will be no adjustment in the interest rate on the Series 2002 Bonds and the owners will not be indemnified against losses sustained as a result of a determination that the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is not excludable from gross income for federal income tax purposes. Further, a determination that the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is includable in gross income of the holders or Beneficial Owners may not occur for a substantial period of time after interest first becomes includable in the gross income of the owners thereof for federal income tax purposes. Additionally, if the lien of the Indenture has been defeased pursuant to the provisions thereof summarized in Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Discharge of Indenture," the Series 2002 Bonds will not be subject to mandatory redemption upon the occurrence of a Determination of Taxability.

The loss of the exclusion of the interest (and any tax-exempt original issue discount) on any Series 2002 Bonds from gross income of the owners thereof for federal income tax purposes could be retroactive to the date of issuance of the Series 2002 Bonds. The tax liability of the owners of any Series 2002 Bonds for failure to include interest (and any original issue discount) on such Series 2002 Bonds in their gross income may extend to years for which interest (and any original issue discount) was received or accrued on such Series 2002 Bonds, or some portion thereof, and for which the relevant statute of limitations has not yet run. If all of the Series 2002 Bonds are redeemed as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity," then the failure by the Company to observe or perform a covenant or agreement in the IDA Lease Agreement or the inaccuracy of any representation or warranty made by the Company in the IDA Lease Agreement or the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002 Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Company.

TAX MATTERS

The Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder (the *"Code"*) establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2002 Bonds in order that interest on the Series 2002 Bonds be and remain not includable in gross income of the Bondholders for federal income tax purposes pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2002 Bonds and the Leased Facilities, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Pursuant to the Agency's and the Company's Series 2002 Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, and accompanying attachments, executed by the Company dated the date of issuance of the Series 2002 Bonds (the *"Series 2002 Tax Certificate"*), the Company will make certain representations, certifications and covenants relating to such non-inclusion in gross income. The IDA Lease Agreement and the Series 2002 Tax Certificate will obligate the Company to do and perform all acts and things necessary and within its control to assure that interest on the Series 2002 Bonds not be included in gross income pursuant to Section 103 of the Code. Noncompliance with current requirements or future amendments may cause interest on the Series 2002 Bonds to become subject to federal income taxes retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. **In the event of a Determination of Taxability, the Series 2002 Bonds are subject to mandatory redemption (unless the lien of the Indenture has been defeased) without interest rate adjustment and Bondholders will not be indemnified against losses (including but not limited to tax deficiencies, interest and penalties) sustained as a result of such Determination of Taxability. See "RISK FACTORS—Possible Loss of Tax-Exempt Status of Interest on Series 2002 Bonds."**

In the opinion of Winston & Strawn, New York, New York, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance by the Agency and the Company (and their successors) with covenants and the accuracy of the representations and

certifications referenced above, interest on the Series 2002 Bonds will not be included in gross income for federal income tax purposes pursuant to Section 103 of the Code. Under the Code, however, such interest is treated as a preference item to be included in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. No opinion is expressed by Bond Counsel as to the non-inclusion of interest on any Series 2002 Bond in gross income during the period that such Series 2002 Bond is held by a "substantial user" of the Facility or a "related person" within the meaning of Section 147(a) of the Code.

In rendering the opinion described above with respect to the Series 2002 Bonds, Bond Counsel has relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectations and certifications of fact and compliance with covenants contained in the IDA Lease Agreement and the Series 2002 Tax Certificate, each to be delivered on the date of original issuance of the Series 2002 Bonds with respect to matters affecting the non-inclusion in gross income of interest on the Series 2002 Bonds for purposes of federal income taxation.

In addition, certain requirements and procedures contained or referred to in the Indenture, the IDA Lease Agreement, the Series 2002 Tax Certificate and other relevant documents and certificates may be changed and certain actions may be taken subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents or certificates, upon the advice or with the approving opinion of nationally recognized bond counsel. Winston & Strawn expresses no opinion as to the impact of any such change or action on the tax-exempt status of interest on any Series 2002 Bond if such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn.

Under the Code, interest on the Series 2002 Bonds is to be taken into account in the computation of the foreign branch profits tax.

The Code further provides that interest on the Series 2002 Bonds is includable in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments are to be included in the taxable income of individuals.

The Code also imposes a tax on excess net passive income of certain S Corporations that have subchapter C earnings and profits. Passive investment income includes interest on tax exempt obligations. Moreover, the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry tax exempt obligations such as the Series 2002 Bonds.

The foregoing is not intended as an exhaustive list of potential collateral tax consequences of the ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations such as the Series 2002 Bonds. Bondholders should consult their tax advisors with respect to the calculations of alternative minimum tax, foreign branch profits tax liability, the taxation of net passive income of S Corporations, collateral effects upon financial institutions and property and casualty insurance companies, the impact on the earned income credit, the deductibility of interest on obligations incurred or continued to purchase or carry the Series 2002

Bonds or the inclusion of Social Security or other retirement payments in taxable income. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

Certain maturities of the Series 2002 Bonds may be initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2002 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 2002 Bond of the same maturity (the *"Discount Bonds"*). Bond Counsel is of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the alternative minimum tax to the same extent as interest on the Series 2002 Bonds. Original issue discount accrues over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Original issue discount may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event the Company encounters financial difficulties. The tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to such holder's purchase price of such Discount Bond, the original issue discount which has accrued. The portion of the original issue discount on a Discount Bond that accrues in each taxable year is included in the calculation of the alternative minimum tax to the same extent as interest on the Series 2002 Bonds and may have collateral tax consequences for the taxpayers referred to above. Accordingly, owners of Discount Bonds are advised that the accrual of original issue discount could cause an increase in tax liability although no cash will have been received in the year of accrual. Owners of Discount Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount which will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of the owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Bonds.

Certain maturities of the Series 2002 Bonds may be initially offered to the public at prices greater than the principal amount thereof payable at maturity. If Series 2002 Bonds are sold at prices in excess of their principal amount (*"Premium Bonds"*), the excess constitutes amortizable bond premium which, as it amortizes, will reduce the holder's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bonds. No deduction is allowable for amortizable bond premium. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owners and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2002 Bonds may adversely affect the tax status of interest on the Series 2002 Bonds. The Code has been continuously subject to legislative modifications, amendments and revisions and bills proposing further changes are regularly introduced in the United States Congress. No representation is made as to whether bills adversely affecting the tax-exempt status of interest on governmental obligations, such as the Series 2002 Bonds, or the economic value of owning such obligations, will be introduced or enacted, or if enacted, the effective date of any such legislation, and no assurances can be given that such bills or amendments will not materially and adversely affect the economic value of the Series 2002 Bonds or the federal and state tax consequences of ownership of the Series 2002 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2002 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 2002 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for transfer and estate taxes.

Reference is made to Appendix I hereto for the proposed form of the approving opinion expected to be rendered by Bond Counsel in connection with the Series 2002 Bonds.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement (the *"Bond Purchase Agreement"*) among the Agency, the Company, AMR and Salomon Smith Barney Inc., as representative of the underwriters (the *"Underwriters"*), the Underwriters have agreed to purchase the Series 2002 Bonds at a purchase price of $_____, which is the par amount of the Series 2002 Bonds less an underwriting discount of $_____ and original issue discount of $_____, plus a premium of $_____ and accrued interest of $_____. The Bond Purchase Agreement provides that the obligation of the Underwriters is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2002 Bonds if any of the Series 2002 Bonds are purchased. The Series 2002 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2002 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. After the initial public offering, the public offering price of the Series 2002 Bonds may be changed from time to time by the Underwriters. The Company and AMR have agreed to indemnify the Underwriters and the Agency against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws.

In the ordinary course of their respective businesses, the Underwriters and certain of their respective affiliates have engaged, and expect in the future to engage, in commercial banking transactions with the Company and AMR.

CONTINUING DISCLOSURE

The Company and AMR, on the date of issuance of the Series 2002 Bonds, will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Series 2002 Bonds. Under the Undertaking, the Company and AMR are required to send certain information annually and provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission (the *"Commission"*) under the Securities Exchange Act of 1934 (the *"Exchange Act"*). The information to be provided on an annual basis, the events that are required to be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under "THE UNDERTAKING."

Each of the Company and AMR has represented that it is in compliance with all undertakings previously entered into by it pursuant to the Rule. A failure by the Company or AMR to comply with the Undertaking will not constitute an Event of Default under the IDA Lease Agreement, the Indenture or the Guaranties and beneficial owners of the Series 2002 Bonds are limited to the remedies described in the Undertaking. See "THE UNDERTAKING—Consequences of Failure of the Company or AMR to Provide Information." A failure by the Company or AMR to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2002 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2002 Bonds and their market price.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Company and AMR and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the Company.

Annual Financial Information Disclosure

Each of the Company and AMR covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the Commission. Each of the Company and AMR also covenants that it will send a notice to each Nationally Recognized Municipal Securities Information Repository (a *"NRMSIR"*) then recognized by the Commission for purposes of the Rule and to any public or private repository designated by the State of New York as the state information depository (the *"SID"*) and recognized as such by the Commission for purposes of the Rule on an annual basis indicating that its Annual Report on Form 10-K filed with the Commission, in accordance with the Exchange Act, constitutes its Annual Financial Information and Audited Financial Statements for that year.

"*Annual Financial Information*" of the Company or AMR means information of the type contained in the Annual Report on Form 10-K filed with the Commission by the Company or AMR, as the case may be, in accordance with the Exchange Act.

"*Audited Financial Statements*" means the audited financial statements of the Company and AMR, respectively, prepared in accordance with accounting principles generally accepted in the United States as in effect from time to time.

Events Notification; Material Events Disclosure

Each of the Company and AMR covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "*MSRB*") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the Exchange Act. The "*Events*" are:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties (inapplicable to this transaction);

4. Unscheduled draws on credit enhancements reflecting financial difficulties (inapplicable to this transaction);

5. Substitution of credit or liquidity providers, or their failure to perform (inapplicable to this transaction);

6. Adverse tax opinions or events affecting the tax-exempt status of the security;

7. Modifications to the rights of security holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities; and

11. Rating changes.

Consequences of Failure of the Company or AMR to Provide Information

The Company or AMR, as applicable, is required to give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of

Annual Financial Information and Audited Financial Statements when the same is due under the Undertaking.

In the event of a failure of the Company or AMR to comply with any provision of the Undertaking, the beneficial owner of any Series 2002 Bond may seek specific performance by court order, to cause the Company or AMR to make such filings. The beneficial owners of 25% or more in principal amount of the outstanding Series 2002 Bonds may challenge the adequacy of the information provided under the Undertaking and seek specific performance by court order to cause the Company or AMR to provide the information required by the Undertaking. A default under the Undertaking will not be deemed an Event of Default under the IDA Lease Agreement, the Indenture or the Guaranties, and the sole remedy under the Undertaking in the event of any failure of the Company or AMR to comply with the Undertaking is an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Company and AMR may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Company or AMR or a change in the type of business conducted by the Company;

(b) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2002 Bonds, as determined either by parties unaffiliated with the Company or AMR (such as Bond Counsel), or by an approving vote of the Bondholders of each series pursuant to the terms of the Indenture at the time of the amendment.

Termination of Undertaking

The Undertaking will terminate as to the Company or AMR if the Company or AMR, as the case may be, no longer has any legal liability for any obligation on or relating to repayment of the Series 2002 Bonds under the Indenture, the IDA Lease Agreement or the Guaranties. The Company or AMR, as the case may be, is required to give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this paragraph is applicable.

Neither the Company nor AMR has any obligation to provide continuing disclosure pursuant to the Undertaking with respect to a series of Series 2002 Bonds that bear interest at an interest rate other than a Long-Term Interest Rate. The Undertaking terminates with respect to a

series of the Series 2002 Bonds that bear interest at rates other than a Long-Term Interest Rate but must be reinstated, or a new continuing disclosure undertaking must be entered into, in connection with any subsequent adjustment of the interest rate on that series of the Series 2002 Bonds to a Long-Term Interest Rate, if required by law at such time.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Company or AMR, as the case may be, from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the Company or AMR, as the case may be, chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the Company or AMR, as the case may be, shall not have any obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.

Dissemination Agent

The Company or AMR may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its respective obligations under the Undertaking and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the validity of the Series 2002 Bonds and with regard to the exclusion of interest on the Series 2002 Bonds from federal income taxation under existing law and regulations are subject to the approval of Winston & Strawn, New York, New York, Bond Counsel, and the Underwriters' obligation to purchase the Series 2002 Bonds is subject to the issuance of such opinion. A proposed form of such opinion is attached to this Official Statement as Appendix I. Legal matters pertaining to the Agency will be passed upon by Richard E. Marshall, Vice President for Legal Affairs. Certain legal matters will be passed upon for the Company and AMR by Anne H. McNamara, Senior Vice President and General Counsel of the Company and AMR. Certain legal matters will be passed upon for the Underwriters by their counsel, Chapman and Cutler, Chicago, Illinois.

MISCELLANEOUS

The foregoing summaries and the summaries contained in Appendices C, D, E, F, G and H do not purport to be complete and are expressly made subject to the exact provisions of the applicable documents. For details of all terms and conditions, reference is made to the IDA Lease Agreement, the Company Sublease, the Indenture, the Guaranties, the Equipment Security Agreement, the Port Authority Lease, the Port Authority Consent, the form of Leasehold Mortgage attached to the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement, copies of which may be obtained from the Underwriters

during the initial offering at the principal office of the Underwriters and, after the initial delivery of the Series 2002 Bonds, at the principal corporate trust office of the Trustee in New York, New York. Information concerning the Company and AMR is contained or incorporated by reference in Appendix A to this Official Statement. The Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. at the request of the Company is contained in Appendix J to this Official Statement. The assumptions, finding and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency or the Company.

The use of this Official Statement has been duly authorized by the Agency.

APPENDIX A

AMERICAN AIRLINES, INC.
AND
AMR CORPORATION

The information contained in this Appendix A to this Official Statement relates to and has been supplied by American Airlines, Inc. and AMR Corporation. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of American Airlines, Inc. or AMR Corporation since the date hereof or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

AMERICAN AIRLINES, INC.
AND
AMR CORPORATION

Statement of Available Information

Each of American Airlines, Inc. (*"American"*) and AMR Corporation (*"AMR"*) is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the *"Exchange Act"*), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the *"Commission"*). These filings are available to the public over the Internet at the Commission's web site at http://www.sec.gov. A prospective purchaser can call the Commission at 1-800-SEC-0330 for further information on the public reference rooms and copy charges. Reports, proxy statements and other information filed by American and AMR can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Copies of such material can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Incorporation of Certain Documents by Reference

The following documents have been filed with the Commission and are incorporated herein by reference:

1. American's and AMR's Annual Reports on Form 10-K for the year ended December 31, 2001;

2. American's and AMR's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2002;

3. American's Current Reports on Form 8-K filed with the Commission on January 16, 2002 , June 13, 2002 and June 19, 2002; and

4. AMR's Current Reports on Form 8-K filed with the Commission on January 16, 2002, June 13, 2002 and June 19, 2002.

All documents filed by American or AMR pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby are deemed to be incorporated by reference into this Official Statement and to be part hereof from the date of filing of any such document. Any statement contained in a document incorporated or deemed to be incorporated by reference herein is deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded may not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

American will provide a copy of these filings (other than their exhibits, unless those exhibits are specifically incorporated by reference in the filings) at no cost by writing or telephoning American at the following address:

Corporate Secretary
American Airlines, Inc.
P.O. Box 619616
Mail Drop 5675
Dallas/Fort Worth Airport, Texas 75261-9616
(817) 963-1234

Persons receiving this Official Statement should rely only on the information incorporated by reference or provided in this Official Statement or any applicable Official Statement Supplement. Neither American nor AMR has authorized anyone to provide prospective purchasers with different information. If anyone provides different or inconsistent information, it should not be relied upon.

Certain Other Information

On January 25, 2002, February 22, 2002, March 22, 2002 and May 31, 2002 AMR furnished to the Commission certain actual and forecasted information, including information regarding American's unit costs, capacity, traffic, fuel costs and fuel consumption, pursuant to Item 9 of Form 8-K in accordance with the guidelines set forth in Regulation FD adopted by the Commission. American expects that AMR will continue to furnish similar information to the Commission on a regular basis during the second half of each month, other than months in which AMR issues a quarterly earnings release, and that in addition AMR may from time to time furnish other information, including but not limited to information with respect to fleet plans and revenue estimates, as it deems appropriate; *provided, however,* AMR shall have no obligation to furnish such information to the Commission.

On January 25, 2002, February 22, 2002, March 22, 2002 and May 31, 2002 American furnished to the Commission certain actual and forecasted information, including information regarding American's unit costs, capacity, traffic, fuel costs, fuel consumption and fleet plans, pursuant to Item 9 of Form 8-K in accordance with the guidelines set forth in Regulation FD adopted by the Commission. American expects that it will continue to furnish similar information to the Commission, including but not limited to information with respect to fleet plans and revenue estimates, as it deems appropriate; *provided, however,* American shall have no obligation to furnish such information to the Commission.

American will provide a copy of Forms 8-K furnished as described above at no cost upon request. Requests may be made by writing or telephoning American at the following address:

Corporate Secretary
American Airlines, Inc.
P.O. Box 619616
Mail Drop 5675
Dallas/Fort Worth Airport, Texas 75261-9616
(817) 963-1234

APPENDIX B

CERTAIN DEFINITIONS

"Accounts" or *"Subaccounts"* means those accounts or subaccounts established pursuant to the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

"Act" has the meaning set forth herein under "THE AGENCY."

"Act of Bankruptcy" means the commencement of a bankruptcy or similar proceeding by or against the Company or AMR, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Company or AMR or a substantial part of the assets of the Company or AMR, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Company or AMR or any substantial part of any of the properties of the Company or AMR.

"Additional Bonds" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Affiliate" means any Person under common control with the Company. "Control" (including the related term "under common control with") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

"Agency" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Agency's Reserved Rights" means, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Company to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Company with respect to ensuring that the Facility will always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under the IDA Lease Agreement relating to: sales and use tax exemptions; the leasing of the Facility; taxes; assessments and charges; insurance; advances made by the Agency; compliance with laws; restrictions imposed upon the Company with respect to dissolution and merger; indemnity; payment by the Company of the compensation and expenses of the Agency; certain filings of the Company of its Form 10-K and compliance and default certificates; the furnishing of security by the Company in the event of its contest of any liens; the condition or suitability of the Facility; the compliance by the Company with certain laws and guidelines relating to non-discrimination of employees; the enforcement of the redemption provision described herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project*"; further assurances with respect to the perfection of the interests and rights granted to the Agency under the IDA Lease Agreement, the Indenture and the Leasehold Mortgage; current descriptions of the Facility; the filing of Uniform Commercial Code financing statements; certain covenants made by the Company with respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease; the agreement by the Company to pay attorneys' fees and expenses of the Agency upon default; certain options with respect to the substitution and sale of Facility Equipment; the assignment of the IDA Lease Agreement or the subletting of the Facility; inspection of the Facility; the intention that the IDA Lease Agreement be a "net lease"; the waiver of a jury trial; and the consent to the Leasehold Mortgage; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

"*Agreement Towards Entering Into a Lease*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Airport*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*AMR*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*AMR Guaranty*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Authorized Representative*" means, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized

to perform specific acts or to discharge specific duties, (ii) in the case of the Company, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Company to act on behalf of the Company by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Company and delivered to the other parties, and (iii) in the case of AMR, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by AMR to act on behalf of AMR by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of AMR and delivered to the other parties.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

"Bankruptcy Rejection Date" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage*."

"Basic Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Beneficial Owner" has the meaning set forth herein under "THE SERIES 2002 BONDS—Book-Entry-Only System."

"Bond Counsel" means Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

"Bond Fund" means the Bond Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Creation of Funds and Accounts*," "—*Payments into Bond Fund*" and "—*Application of Bond Fund*."

"Bond Interest Term Rate" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established periodically in accordance with the Indenture.

"Bond Purchase Fund" means any Bond Purchase Fund created for a series of Bonds under a Series Supplemental Indenture, which Fund will be held by the applicable Tender Agent and be used with respect to the tender and remarketing of Bonds.

"Bond Registrar" means the Trustee, acting as registrar for the Bonds as provided in the Indenture.

"Bondholder," "Holder of the Bonds," "Holder" or *"holder"* means any Person who is the registered owner of any Bonds or Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" herein mean Cede & Co., and not the Beneficial Owners of the Series 2002 Bonds. See "THE SERIES 2002 BONDS—Book-Entry-Only System."

"*Bonds*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Bonds Default*" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"*Book-Entry-Only System*" has the meaning set forth herein under "THE SERIES 2002 BONDS—Book-Entry-Only System."

"*Business Day*" means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

"*Capitalized Interest Account*" means any special trust Account of the Project Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund.*"

"*City*" means The City of New York.

"*City Approved Successor Lessee*" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Remedies; Termination by the City.*

"*City Attornment Agreement*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Civil Aircraft Operator*" (as used herein in the definition of Scheduled Aircraft Operator) means a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he or she will be deemed to be a Civil Aircraft Operator only to the extent that he or she engages in the operation of aircraft for civilian purposes.

"*Code*" has the meaning set forth herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability.*"

"*Company*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Company Guaranty*" has the meaning set forth under "INTRODUCTORY STATEMENT."

"*Company Sublease*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Construction Account" means any special trust Account of the Project Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund*."

"Controlled Entity" means any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

"Credit Facility" means an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such series of Bonds and issued and delivered to the Trustee in accordance with the Indenture. No Credit Facility is being provided with respect to any series of the Series 2002 Bonds.

"Credit Facility Agreement" means any agreement to provide credit support or liquidity with respect to a series of Bonds between the Credit Facility Provider and the Company. There is no Credit Facility and no Credit Facility Agreement with respect to any series of the Series 2002 Bonds.

"Credit Facility Provider" means the issuer of any Credit Facility and any successors thereto. There is no Credit Facility and no Credit Facility Provider with respect to any series of the Series 2002 Bonds.

"Daily Interest Rate" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

"Deferred Reletting Fee" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards.*"

"Determination of Taxability" has the meaning set forth herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability.*"

"Eligible Affiliate" means any Person controlled by the Company. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

"Eligible Personalty" means machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or

not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Company, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

"Equipment Security Agreement" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Event of Default" with respect to any default under the IDA Lease Agreement, has the meaning set forth herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Events of Default; Remedies—*Events of Default*" and, with respect to any default under the Indenture, has the meaning set forth herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Events of Default; Acceleration of Due Date.*"

"Extended Basic Lease" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent.*"

"Facility" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means, collectively, the Leased Facilities and the Facility Equipment.

"Facility Equipment" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is undertaken by use of the Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Leased Facilities for the Project by the Company, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all property substituted for or replacing items of Facility Equipment in accordance with the provisions of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

"Facility Improvement Materials" means construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Company exclusively for the Project.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Agency, the Company and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Financed Property" means those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

"Financing Documents" means the Company Sublease, the IDA Lease Agreement, the Indenture, resolutions adopted by the Agency authorizing the issuance of the Series 2002 Bonds, any resolutions adopted by the Agency in connection with the issuance and sale of Additional Bonds, the Leasehold Mortgage, the Guaranties, the Agreement Towards Entering Into a Lease, and the City Attornment Agreement; and *provided further*, the term *"Financing Document"* does not mean the Basic Lease, the Port Authority Lease or the Port Authority Consent.

"Foreclosure Payment Account" means any special trust Account of the Mortgage Reserve Fund so designated and as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure —Foreclosure Period Payments.*"

"Foreclosure Payment Account Requirement" means $18,600,000.

"Foreclosure Period" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Proceedings and Removal of the Company.*"

"Funds" means those Funds established pursuant to the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Creation of Funds and Accounts*" and any Funds established pursuant to any Series Supplemental Indenture.

"General Airport Agreement" means that certain agreement and lease of premises entitled "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented, amended and extended) and bearing Port Authority file number designation AY-351 which governs the rights, privileges, duties and obligations of and between the Port Authority and the Company with respect to the Airport.

"Government Obligations" means (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above,

the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

"Guarantor" means each of the Company and AMR and their respective successors and assigns under the Guaranties.

"Guaranties" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"IDA Lease Agreement" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"IDA Lease Amendment" means any amendment to the IDA Lease Agreement entered into by and between the Company and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a series of Additional Bonds or otherwise.

"Indenture" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Interest Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Interest Payment Date" has the meaning set forth herein under "THE SERIES 2002 BONDS—General."

"*Lease Assignment/Assumption and Consent Agreement*" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*"

"Lease Assignment/Assumption Commencement Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*"

"Lease Default" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"Lease Payments Fund" means the Lease Payments Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Lease Payments Fund.*"

"Leased Facilities" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means those certain facilities, structures, buildings, fixtures and improvements, exclusive of Facility Equipment, as will constitute a new air passenger terminal together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C to the main terminal to be located at the premises in the vicinity of Terminals 8 and 9 at the Airport, all as described in the Description of Leased Facilities in Exhibit B to the IDA

Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

"*Leased Personalty*" means one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with the IDA Lease Agreement, to be used exclusively for the Project by the Company, the Affiliates, and the Eligible Affiliates. Leased Personalty does not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the Port Authority Lease will not constitute and will not be deemed to constitute Leased Personalty by virtue of the provisions of the Port Authority Lease.

"*Leasehold Mortgage*" has the meaning set forth herein under "INTRODUCTORY STATEMENT." All references to the Leasehold Mortgage herein are qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage will not be dated, executed, delivered or recorded and the Reletting Rights will not be exercisable until the Reletting Rights Effective Date.

"*Leasehold Mortgage Default*" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"*Leasehold Mortgagee*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Legal Requirements*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Maintenance, Taxes and Insurance—*Compliance with Law.*"

"*Lessee's Property*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Maintenance, Taxes and Insurance—*Maintenance, Alterations and Improvements.*"

"*Loss Event*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Damage, Destruction and Condemnation."

"*Long-Term Interest Rate*" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established in accordance with the Indenture.

"*Maintenance Contracts*" means contracts entered into by the Company as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Company, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

"*Major Release*" has the meaning set forth herein under APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property.*"

"*Master Indenture*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Maximum Port Authority Lease Expiration Date*" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent.*"

"*Minor Release*" has the meaning set forth herein under APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property.*"

"*Moody's*" mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Company and the Trustee.

"*Mortgage Amount*" means the amount equal to the lesser of (i) the principal amount of Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents, and (ii) $2,300,000,000.00.

"*Mortgage Reserve Fund*" means the Mortgage Reserve Fund established pursuant to the Indenture and described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments.*"

"*Mortgagee Rights Period*" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Events of Default.*"

"*Net Proceeds*" means, with respect to a particular series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

"*New Basic Lease*" means a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In order to be effective to extend the term of the Company Sublease as set forth in Article II of the Company Sublease, the

lessor under any such New Basic Lease must expressly agree for the benefit of the Agency, the Trustee and the Holders of the Bonds that the Company Sublease and the IDA Lease Agreement will continue in full force and effect for the remainder of the respective terms thereof and the respective rights of the Company and the Agency will continue in full force and effect thereunder. In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease will be deemed to mean and refer to such New Basic Lease.

"New City/American Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Nonapproved Successor Lessee Event" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Events of Default.*"

"Nonqualified Cost" means the Project Costs paid pursuant to the Indenture which are not Qualified Costs.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Company, AMR or the Agency and who is reasonably acceptable to the Trustee.

"*Outstanding*" when used with reference to a Bond or series of Bonds, as of any particular date or series, means all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) noncallable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as are necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable redemption price of such Bond (or portion thereof), together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, *provided* that, if such Bond (or portion thereof) is to be redeemed, notice of such redemption must have been given as

provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to the Indenture and Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Company or any Affiliate of the Company will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Bonds and that the pledgee is not the Company or any Affiliate or Controlled Entity of the Company.

"Paying Agent" means any paying agent for any series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

"Permitted Encumbrances" means, as of any particular time,

(i) the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the Basic Lease, the Port Authority Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default;

(iii) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Company certifies to the Agency and the Trustee will not interfere with or impair the Company's use of the Facility as provided in the IDA Lease Agreement;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(v) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if

payment is not yet due and payable, all if and to the extent permitted by the IDA Lease Agreement;

(vi) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(vii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(viii) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Company in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(ix) subleases of the Facility permitted under the IDA Lease Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Port Authority" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Port Authority Consent" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Port Authority Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and further means the Agreement of Lease entered into as of August 1, 1976 bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Company, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "Port Authority Lease" means and includes the foregoing agreement during any period when the City has become lessor under the Port Authority Lease in accordance with the provisions of the City Attornment Agreement.

"Possessory Rights and Remedies" means without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning or re-subletting of the Facility.

"Preliminary Sales Tax Letter" means the Preliminary Sales Tax Letter of the Agency.

"Premises" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Primary Term" has the meaning set forth herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Allocation of Rent.*"

"Principal Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Prohibited Person" means (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Company or AMR, the felony conviction of the AMR arising out of *United States of America v. AMR Corporation,* United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

"Project" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means solely with respect to the Redevelopment Work, the demolition of Terminals 8 and 9 at the Airport, the construction, acquisition, installation and equipping of the Facility by the Company, and the acquisition, construction, installation and equipping by the Company from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Company, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

"Project Costs" means:

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with the completion of, the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Company's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Remarketing Agent, if any, and each Tender Agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a series (or other indebtedness incurred by the Company for the construction of the Project) for the time specified in any Series Supplemental Indenture authorizing the issuance of a series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture;

(vii) all costs which the Company is required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Company for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Company is required to pay under the Port Authority Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals under such plans and specifications for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in the IDA Lease Agreement that the salary or other compensation paid to the officers or employees of the Company for work done by such officers or employees in connection with the Project will be included as a Project Cost only to the extent that such Persons were specifically employed for such particular purpose, such salary or other compensation does not exceed the actual cost thereof and would, if such Project Cost had been undertaken by the Company, be treated on the books of the Company as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis, expenses for supervision by the officers or employees of the Company and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a series of Bonds including soft costs; and

(xi) costs of issuance.

"Project Fund" means the Project Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund*."

"Qualified Costs" means the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

"Qualified Financial Institution" means a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

"Qualified Investments" means, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation (*"FDIC"*) which are

(a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest rating categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market mutual funds with assets in excess of $2,000,000,000 investing in Government Obligations.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 or above from S&P.

"Qualified Maintenance" means, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure," the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (*e.g.*, a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

"Qualified Mortgage" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement."

"Qualified Personalty Lease" means the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Company on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease," or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

"Qualifying Replacement Tenant" means a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under the Port Authority Lease, who each meet all of the requirements set forth in Section 92, including but not limited to the entering into with the Port Authority of the Lease Assignment/Assumption and Consent Agreement, and thereby become the assignee/purchaser of the Port Authority Lease with respect to the Premises resulting from the exercise by the Leasehold Mortgagee of its Reletting Rights, whether by foreclosure and sale or by assignment in lieu of foreclosure.

"Rating Agency" means S&P if S&P is then rating the Bonds and Moody's if Moody's is then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall then rating the Bonds.

"Rating Category" means one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rebate Fund" means the Rebate Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Rebate Fund; Application of Rebate Fund.*"

"Record Date" has the meaning set forth herein under "THE SERIES 2002 BONDS—General."

"Redemption Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Redevelopment Work" means the design and construction of the "Passenger Terminal Work" (as described and defined in Section 2B(a) of the Port Authority Lease) and the "Off-Premises Work" (as described and defined in Section 2B(a) of the Port Authority Lease).

"Redevelopment Work Completion Date" means the date appearing on the certificate issued by the Port Authority pursuant to the Port Authority Lease after substantial completion of the Redevelopment Work.

"Release Price" means, at any time of the calculation thereof, the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total annual revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

"Released Property" means the portions of the Leased Facilities which the Company, the Port Authority or, upon the effectiveness of the New/City American Lease, the City, have

released from the Leased Facilities as described herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Retention of Interest in the Facility.*"

"Reletting Election Notice" means the written notice required to be given by the Leasehold Mortgagee to the Port Authority pursuant to the Port Authority Lease affirmatively stating the Leasehold Mortgagee's election to (i) exercise its Reletting Rights thereunder and (ii) to exercise its rights under the Leasehold Mortgage to foreclose upon the Leasehold Mortgage or to have the Port Authority Lease with respect to the Premises assigned to a Qualifying Replacement Tenant in accordance with the provisions of the Port Authority Lease.

"Reletting Election Notice Service Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Foreclosure Obligations.*

"Reletting Election Period" has the meaning set forth herein in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Election to Exercise Reletting Rights.*"

"Reletting Rights" mean the rights of the Trustee as Leasehold Mortgagee with respect to the Premises and the Leasehold Mortgage to obtain a Qualifying Replacement Tenant during the Foreclosure Period as provided in Section 92, *provided, however,* no Reletting Rights will commence or be deemed to have commenced until on or after the Reletting Rights Effective Date, if any, and further will commence only if there is a Leasehold Mortgage, which has been properly dated, executed, delivered and recorded strictly in compliance with the terms and provisions of Section 92 and the Port Authority Consent, and will terminate as provided in Section 92, including without limitation, upon the termination or expiration of the Leasehold Mortgage in accordance with Section 92.

"Reletting Rights Effective Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

"Reletting Rights Effective Date Conditions" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

"Required Conditions" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions to Execution, Delivery and Recording of the Leasehold Mortgage.*"

"Reserve Fund Facility" means a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which

constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Company.

"Sales and Use Taxes" means New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

"Sales Tax Letter" means that certain Sales Tax Letter of the Agency.

"Sales Tax Savings" means all exemptions of Sales and Use Taxes actually realized by the Company pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Company other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

"Scheduled Aircraft Operator" means a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no Person will be deemed to be a Scheduled Aircraft Operator unless it also holds such a permit or certificate.

"Section 92" means Section 92 of the Port Authority Lease entitled "Reletting Rights-Leasehold Mortgagee," which section authorizes the Leasehold Mortgage and provides for the Reletting Rights of the Trustee, as Leasehold Mortgagee, thereunder.

"Section 92(d) Provisions" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date.*"

"Security Documents" means, with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranties, the Indenture, the Agreement Towards Entering Into a Lease, the City Attornment Agreement and the Leasehold Mortgage and, with respect to a particular series of Bonds, the applicable Tax Certificate, and any and all other documents or instruments delivered to the Trustee in connection with the provision of the security for such series of Bonds; *provided* that in no event will the Port

Authority Lease, the New City/American Lease or the Port Authority Consent be or be deemed to be Security Documents.

"Series 2002 Bonds" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Series Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture.

"Sinking Fund Installment" means the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

"Sinking Fund Installment Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Lease Payments Fund*" and "—*Payments into Bond Fund.*"

"State" means the State of New York.

"Tax Certificate" means, with respect to a series of Bonds, any Tax Certificate As To Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such series of Bonds, executed by Authorized Representatives of the Agency and the Company and delivered to the Agency, the Company and the Trustee, and will include any and all amendments thereof and supplements thereto thereafter made in conformity therewith and the Indenture.

"Tax-Exempt Bond (or Series of Tax-Exempt Bonds)" shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the Applicable Series Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

"Tenant Improvements" means all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Company, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

"Tender Agent" means, with respect to a series of Bonds, the initial and any successor tender agent appointed in accordance with the Series Supplemental Indenture authorizing the issuance of such series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture.

"Triggering Events" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority."

"Trust Estate" means all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

"Trustee" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Weekly Interest Rate" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

"Wrongful Recording of the Leasehold Mortgage" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT

The following is a brief summary of certain provisions of the IDA Lease Agreement and does not purport to be comprehensive or complete. Reference is made to the IDA Lease Agreement for the complete provisions.

The Project

General. The Company warrants it is conveying to the Agency a valid leasehold interest in the Leased Facilities on or prior to delivery and payment for the Series 2002 Bonds and that it will convey to the Agency good legal title to items of the Facility Equipment (subject to any interests in title of the Port Authority or the City in such Facility Equipment) the costs of which are to be reimbursed with the proceeds of a series of Bonds, in each case free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances, all against payment therefor by the Agency from the proceeds of the Series 2002 Bonds deposited in the applicable Construction Account of the Project Fund to the extent permitted by the IDA Lease Agreement and the Indenture. The Agency and the Company agree that the leasehold interest conveyed to the Agency under the Company Sublease is subject to the Company Sublease, the Port Authority Consent, the Basic Lease and the Port Authority Lease.

As promptly as practicable after receipt of the proceeds of sale of any series of Bonds and out of said proceeds of sale and proceeds of sales of subsequent series of Bonds, the Company will, on behalf of the Agency, proceed with the Project through the acquisition and installation of Facility Improvement Materials, Facility Equipment, the leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities. The cost of the Project shall be paid from each Construction Account of the Project Fund established under the Indenture.

The Company covenants that it has obtained or will obtain or cause to be obtained all necessary approvals, consents, permits, authorization and licenses from any and all governmental agencies and appropriate authorities requisite to the effectuation by the Company of the Tenant Improvements and the acquisition of the Facility Improvement Materials, the Facility Equipment, Leased Personalty and Maintenance Contracts and the operation and use of the same and shall furnish copies of the same to the Agency promptly upon request by the Agency therefor, all of which will be done in compliance in all material respects with all federal, State and local laws, ordinances and regulations applicable thereto, and with the conditions and requirements of the Port Authority, the Basic Lease, the Port Authority Consent and the Port Authority Lease and all policies of insurance required to be maintained hereunder and under the Port Authority Lease with respect to the Leased Facilities. Upon completion of the Project, the Company will promptly obtain or cause to be obtained all required occupancy permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by the IDA Lease Agreement, except if such non-compliance shall not materially adversely affect the Agency, and

upon the written request of the Agency or the Trustee therefor, shall furnish copies of the same to the Agency and the Trustee.

Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent, and the Company Sublease, title to all said Facility Equipment and leasehold title to Facility Improvement Materials acquired as part of the Project shall vest in the Agency immediately upon the execution by the Company as agent for the Agency of a contract, lease, bill of sale, invoice or purchase order therefor and upon delivery to or installation at the Leased Facilities or payment therefor, whichever shall occur first. The Company shall take all action reasonably necessary to protect such title of the Agency in such Facility Improvement Materials and Facility Equipment against claims of any third parties.

Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements, and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent and the Company Sublease, the Company shall, within a reasonable time after the acquisition of such Facility Improvement Materials and Facility Equipment by or on behalf of the Company, convey or cause to be conveyed to the Agency by bill(s) of sale with full warranties of title good title to any item of such Facility Improvement Materials or Facility Equipment which has not theretofore been conveyed to the Agency, free and clear of all liens, claims, charges, security interests and encumbrances other than Permitted Encumbrances. The Company shall take all action necessary to so vest title to such Facility Improvement Materials and Facility Equipment in the Agency and to protect such title against claims of any third parties.

The Company agrees that none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be located or used at any location other than at the Leased Facilities and none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be acquired, leased or undertaken other than for the purposes of the Project, except as provided in the IDA Lease Agreement.

The Company covenants and agrees that, subject to the terms of the IDA Lease Agreement and the Indenture, it will complete the Project, or cause the Project to be completed, by August 31, 2010, and that such completion will be effected in accordance with the IDA Lease Agreement, the Company Lease, the Port Authority Lease and the Indenture. In the event moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Company shall pay that portion of such costs of the Project as may be in excess of its moneys therefor in the Project Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds issued for that purpose), nor shall the Company be entitled to any diminution of the rents payable or other payments to be made under the IDA Lease Agreement.

Sales and Use Tax Benefits. Any exemption from Sales and Use Taxes resulting from or occasioned by Agency's involvement with the Project shall be limited to the acquisition and installation of Facility Improvement Materials, Facility Equipment, the leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities effected by or for the Company as agent for the Agency, it being the intent of the parties to the IDA Lease Agreement that no operating expenses of the Company and no purchase of equipment or other personal property other than Facility Equipment or Facility Improvement Materials shall be subject to an exemption from Sales and Use Taxes because of the Agency's involvement with the Project. The Company shall be entitled to Sales Tax Savings pursuant to the Sales Tax Letter and/or the IDA Lease Agreement in the maximum amount set forth in the Sales Tax Letter until the earliest of (i) August 31, 2010, (ii) the completion of the Project, (iii) the termination of the IDA Lease Agreement, (iv) receipt by the Company of notice from the Agency of the termination of the Sales Tax Letter, or (v) the termination of the Sales Tax Letter pursuant to the terms of the IDA Lease Agreement.

Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions

Issuance of Additional Bonds. The Agency and the Company recognize that under the provisions of and subject to the conditions set forth in the Indenture, the Agency is authorized to enter into Series Supplemental Indentures and issue one or more series of Additional Bonds for the purpose of paying Project Costs. If an Event of Default shall not exist under the IDA Lease Agreement, the Agency, in its sole discretion, will consider the issuance of Additional Bonds in a principal amount as is specified in a written request in accordance with the applicable provisions set forth in the Indenture. In conjunction with the issuance of each series of Additional Bonds pursuant to the Indenture, the Agency and the Company shall enter into an IDA Lease Amendment amending the IDA Lease Agreement providing, among other things, for the payment by the Company of such rentals as are necessary in order to pay the principal, redemption price, if applicable, purchase price of, and interest on such Additional Bonds and any other costs in connection therewith. The proceeds of sale of each series of Additional Bonds shall be deposited and applied in accordance with the Indenture. Any completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions, improvements or substitutions financed by Additional Bonds shall become a part of the Facility and shall be included under the IDA Lease Agreement to the same extent as if originally included under the IDA Lease Agreement.

Lease of the Facility. Subject to the Basic Lease, the Port Authority has subleased the Leased Facilities to the Company pursuant to the Port Authority Lease, and the Company has, subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement, sub-subleased the Leased Facilities to the Agency pursuant to the Company Sublease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease the Leased Facilities to the Company and the Company will sub-sub-sublease such Leased Facilities from the Agency, in each case subject to the Basic Lease, the Port Authority Lease, the Company Sublease, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement and the New City/American Lease (if then effective), and the Agency shall lease the Facility Equipment to the

Company and the Company shall lease the Facility Equipment from the Agency, for the term of and subject to the terms of the IDA Lease Agreement. The Company shall at all times during the term of the IDA Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a qualified "project" in accordance with the provisions of the Act, and in accordance with the Basic Lease, the Port Authority Lease, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement and the New City/American Lease (if then effective), and for the general purposes specified in the IDA Lease Agreement.

Duration of Term. The term of the IDA Lease Agreement shall commence on the date of execution and delivery of the IDA Lease Agreement and shall terminate on the termination of the Company Sublease unless terminated earlier pursuant to the terms of the IDA Lease Agreement.

Rental Provisions. The Company covenants to make rental payments which the Agency agrees shall be paid by the Company in immediately available funds directly to the Trustee on or prior to each Interest Payment Date, date of acceleration, principal payment date (whether principal is due by scheduled maturity, acceleration or otherwise) or redemption date for the Bonds for deposit in the Lease Payments Fund (to the extent amounts then on deposit in such Lease Payments Fund shall not be available and sufficient therefor) in an amount equal to the sum of (i) with respect to interest due and payable on the Bonds, an amount equal to the interest due and payable on the Bonds on such Interest Payment Date, principal payment date, redemption date or date of acceleration, (ii) the principal amount of the Bonds then Outstanding due on such Interest Payment Date, principal payment date or date of acceleration (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), (iii) the Sinking Fund Installments, if any, due on the Bonds on such Interest Payment Date, and (iv) the redemption price of the Bonds to be redeemed which will become due on such redemption date together with accrued interest to the date of redemption.

If the amount on deposit and available in the Lease Payments Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on such Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Company shall pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Lease Payments Fund and such payment shall constitute rental payments under the IDA Lease Agreement.

The Company further covenants to make rental payments which the Agency agrees shall be paid by the Company in immediately available funds directly to the applicable Tender Agent for deposit into the applicable Bond Purchase Fund on or prior to each Purchase Date for the Bonds in an amount equal to the purchase price for such Bonds tendered or deemed tendered for purchase.

As security for the payment of amounts due under the Guaranties, the Company shall grant a leasehold mortgage lien on and security interest in its leasehold interest under the Port Authority Lease. The lien of the Leasehold Mortgage will be superior to the lien on lease payments made under the IDA Lease Agreement and granted to the Trustee pursuant to the Indenture. Pursuant to the Indenture, the Agency will pledge and assign to the Trustee as

security for the Bonds all of the Agency's non-possessory right, title and interest in the IDA Lease Agreement (except for the Agency's Reserved Rights), including all rental payments under the IDA Lease Agreement, and in furtherance of said pledge the Agency will unconditionally assign such rental payments to the Trustee for deposit in the Lease Payments Fund and/or the applicable Bond Purchase Fund as the case may be in accordance with the Indenture. The Company consents to the pledge and assignment of the IDA Lease Agreement.

Allocation of Rent. The Agency and the Company acknowledge the intent of the Company, and the Company covenants that for federal income tax purposes the Leased Facilities and each unit of Facility Equipment financed or to be financed in whole or in part with proceeds of a series of Bonds are to be treated as property that is governmentally owned (within the meaning of Section 142(b) of the Code) and leased to the Company pursuant to the terms of the IDA Lease Agreement, the Port Authority Lease and the New City/American Lease (if then effective). Payments made pursuant to the IDA Lease Agreement entered into with respect to such property are to be characterized as rental payments (or interest in respect of deferral or acceleration of rental payments) in respect of the right to possession of such property conveyed to the Company thereby.

Ownership of the Facility Equipment. It is the intent of the parties to the IDA Lease Agreement that for federal income tax purposes, the Agency will be treated as the owner and lessor of the Facility Equipment not deemed owned by the Port Authority or the City under the Port Authority Lease, the Basic Lease or the New City/American Lease (if then effective) (the *"IDA Equipment"*). The parties to the IDA Lease Agreement thereby agree that neither the Agency, nor any person controlled by, in control of, or under common control with the Agency or the Company, directly or indirectly, will at any time take any action or file any return or other document that is inconsistent with the foregoing assumption.

Notwithstanding any other provision of the IDA Lease Agreement to the contrary, except as provided in the IDA Lease Agreement and described herein under "—Options—*Port Authority Right to Purchase Facility*," upon expiration of the duration of the term of the IDA Lease Agreement, all remaining IDA Equipment shall be transferred by the IDA to the City or the designee of the City.

Obligation of Company Unconditional. The obligation of the Company to pay the rent and all other payments provided for in the IDA Lease Agreement as amended by any IDA Lease Amendments and to maintain the Facility in accordance with the IDA Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Port Authority, the City, the Trustee or the Holder of any Bond, and the obligation of the Company shall arise whether or not the Project has been completed as provided in the IDA Lease Agreement, whether or not the Company's rental payments are or become subject to any lien, and whether or not the Basic Lease, the Port Authority Lease or the New City/American Lease shall have been terminated or expired. The Company will not suspend or discontinue any such payment or terminate the IDA Lease Agreement (other than such termination as is provided for thereunder) for any cause whatsoever, and the Company waives all rights now or hereafter conferred by statute or otherwise to quit,

terminate, cancel or surrender the IDA Lease Agreement or any obligation of the Company under the IDA Lease Agreement except as permitted by the IDA Lease Agreement or to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments thereunder.

Payment of Purchase Price of Tendered Bonds. Any payment by the Company to a Tender Agent of amounts necessary to pay the applicable purchase price of Bonds pursuant to the Indenture shall be in immediately available funds and paid to such Tender Agent at its principal corporate trust office on the date set forth in the Indenture.

The Company approves and agrees to be bound by the provisions of the Indenture regarding the purchase, offer, sale and delivery of each series of Bonds required to be tendered for purchase thereunder. The Company shall have all of the rights and obligations provided in the Indenture with respect to the Company in connection with such transactions and the appointment of the Tender Agent and the Remarketing Agent for such series of Bonds thereunder. The Agency shall have no obligation or responsibility with respect to the purchase of any series of Bonds or any related arrangements, except that the Agency, at the expense of the Company, shall cooperate in the making of any such arrangements.

Maintenance, Taxes and Insurance

Maintenance, Alterations and Improvements. During the term of the IDA Lease Agreement, the Company will keep the Leased Facilities and the Facility Equipment in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the Port Authority Lease, the Port Authority Consent, the New City/American Lease (if then effective) and the IDA Lease Agreement and will, except as provided in the IDA Lease Agreement, make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure the continued operation of the Facility. All replacements, renewals and repairs shall be made and installed in compliance with the requirements of the governmental bodies having jurisdiction therefor. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Company agrees to assume full responsibility therefor.

The Company shall have the right to make such alterations of or additions to the Facility or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, *provided* that (i) such additions or alterations are effected in compliance with all applicable legal requirements, (ii) such additions or alterations do not change either the nature of the Facility so that it would not constitute a qualified "project" under the Act nor the nature of the Financed Property so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, and (iii) such additions or alterations are effected in accordance with the Basic Lease, the Port Authority Consent, the Port Authority Lease and the New City/American Lease (if then effective). All alterations of and additions to the Facility shall constitute a part of the Facility, subject to the IDA Lease Agreement, the Leasehold Mortgage,

the Equipment Security Agreement, the Port Authority Lease, the Port Authority Consent, the Company Sublease, the Basic Lease and the New City/American Lease (if then effective) and the Company shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to subject such property to the IDA Lease Agreement and, in the case of the Leased Facilities, the Company Sublease.

The Company shall have the right to install or permit to be installed at the Leased Facilities, machinery, equipment and other tangible personal property not constituting part of the Facility Equipment (the "*Lessee's Property*") without subjecting such property to the IDA Lease Agreement, the Leasehold Mortgage or the Equipment Security Agreement. The Agency shall not be responsible for any loss of or damage to the Lessee's Property. Subject to the terms of the Port Authority Lease or the New City/American Lease, if any, the Company shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Lessee's Property, *provided* that such mortgage, encumbrance, lien or charge or conditional sale or title retention agreement does not create or constitute a lien or encumbrance on the Facility except for Permitted Encumbrances.

The Company shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the interest of the Agency or the Company in the Company Sublease or the IDA Lease Agreement or the amounts payable thereunder with respect to any series of Bonds, other than Permitted Encumbrances.

Payment of Impositions. The Company shall pay when the same shall become due all taxes and assessments (excluding Sales and Use Taxes for which an exemption has been granted pursuant to the Preliminary Sales Tax Letter and the Sales Tax Letter and the provisions thereof), general and specific, if any, levied and assessed upon or against the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage, the interest of the Trustee under the Indenture, any estate or interest of the Agency or the Company in the Facility, or the rentals or other payments under the IDA Lease Agreement during the term of the IDA Lease Agreement, and all charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are called "*Impositions.*" The Agency shall promptly forward to the Company any notice, bill or other statement received by the Agency concerning any Imposition. The Company may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

The Company may contest in good faith the validity, existence or applicability of any Imposition if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of such Imposition against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Company or the Agency under the IDA Lease Agreement or the Company Sublease or the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the interest of the Trustee under the Indenture, and (ii) such contest shall not result in the Agency or the Trustee being in any danger of any criminal liability for failure to comply therewith. In the event that any Imposition shall be imposed upon the Agency's interest in the Facility, the IDA Lease Agreement or the rentals or other payments thereunder, the

Company shall pay the same as required by the IDA Lease Agreement, and the Company shall be subrogated to the Agency's right, if any, to contest the validity of such Imposition.

Insurance. At all times throughout the term of the IDA Lease Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Company shall maintain or cause to be maintained property and casualty insurance and other policies of insurance relating to the Project for the benefit of the Company, the Agency and the Trustee, with insurance companies having a minimum Best's rating of "A-" (Excellent) and Financial Size Category VII or larger, or as otherwise deemed satisfactory to the Agency, and authorized to do business in the State, against the following risks, loss, damage and liability (including liability to third parties) and in such amounts as are set forth below:

(i) (A) Workers' Compensation insurance in amounts required by law, (B) Employers' liability insurance, including (I) coverage of bodily injury by accident in the amount of $1,000,000 each accident and (II) bodily injury by disease in the amount of $1,000,000 per employee with a $1,000,000 policy limit,

(ii) Excess employers' liability insurance with minimum limits of $25,000,000 per occurrence, and

(iii) Such other insurance in such amounts and against such insurable hazards as the Agency from time to time may reasonably require, *provided* that such insurance is generally obtainable and is customarily obtained by air carriers (or their affiliates) of comparable creditworthiness as the Company and which are operators of similar facilities at the Airport at commercially reasonable rates.

In addition to the other obligations relating to insurance required under the IDA Lease Agreement, the Company during the construction of the Facility up to the date of completion in its own name as insured and including the Agency and the Trustee as additional insureds shall maintain and pay the premiums on a policy or policies of comprehensive general liability insurance, including, but not limited to, premises-operations, products-completed operations, explosion, collapse and underground property damages, personal injury and independent contractors, with a broad form property damage endorsement, and with a contractual liability endorsement covering the obligations assumed by the Company pursuant to the applicable sections of the Port Authority Lease, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles and environmental impairment liability insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Company pursuant to the environmental indemnification requirements set forth in the IDA Lease Agreement. The said comprehensive general liability insurance policy required during construction of the Project shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability on a per location/per aggregate basis. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability. The said environmental impairment liability insurance shall have a limit of not less than

$25,000,000 combined single limit per occurrence for death bodily injury and property damage liability for both gradual and sudden occurrences. A comprehensive general liability insurance policy with asbestos removal/abatement coverage, with respect solely to said asbestos removal/abatement portions of the construction work, shall be a limit of not less than $5,000,000 combined single limit per occurrence for bodily injury and property damage liability and each such policy shall be project specific with respect to said portions of the construction work. The Company must also maintain an "all risk" Builders risk policy in an amount not less than the completed value of the work being performed, including coverage for items stored off-site and time in transit for an amount sufficient to cover fully any loss. Professional liability (errors and omissions) insurance for any architect, engineer, or other person or entity providing professional services to the Company and/or employed in connection with the design/build or maintenance of the Facility, with limits in an amount of not less than $1,000,000 must be maintained as well. The foregoing shall be in addition to all policies of insurance otherwise required by the IDA Lease Agreement, or the Company may provide such insurance by requiring each contractor or subcontractor engaged by it for the construction work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Company or by a contractor or subcontractor engaged by it as aforesaid, not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Company or of any of its contractors or subcontractors which would conflict with or in any way impair coverage under the contractual liability endorsement. Further the Company shall provide and maintain or shall require each contractor engaged by it for the construction work, or any portion thereof, to provide and maintain contractor's property and equipment coverage for the full value of such property and equipment with the Agency insured thereunder as its interests may appear. All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protection afforded the Company thereunder with respect to any claim or action against the Company by a third person shall pertain and apply with like effect with respect to any claim or action against the Company by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protection afforded the Agency or the Trustee thereunder and with respect to any claim or action against the Agency and the Trustee by the Company shall be the same as the protection afforded the Company thereunder with respect to any claim or action against the Company by a third person as if the Agency or the Trustee were the named insureds thereunder but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency or the Trustee thereunder as an additional insured. It is specifically understood and agreed that the Agency shall have the right upon notice to the Company given from time to time and at any time to require the Company to increase any or all of the foregoing limits to reasonably commercial amounts and the Company shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Agency and the Trustee.

In addition to all other insurance required under the IDA Lease Agreement, the Company, during the term of the IDA Lease Agreement in its own name as insured and including the Agency and the Trustee as additional insureds, shall maintain and pay the premiums on a policy or policies of property insurance, to insure all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Premises covered by the IDA Lease Agreement against all risks of physical loss or damage (including, but not limited to flood and earthquake risks) if available, and if not available, then against such

hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York, and also covering boiler and machinery hazards and risks in a separate insurance policy or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the rating organization of the State, comprehensive general liability insurance, including premises-operations, products liability, liquor liability, completed operations, and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles providing for coverage in the limits set forth below. As to the said comprehensive general liability insurance the Company may, in lieu of the foregoing requirement with respect to care, custody and control exclusions, elect, in its own name as insured and including the Agency and the Trustee as additional insureds as their interests may appear, to maintain and pay the premiums on a baggage legal liability, a cargo legal liability and a real property legal liability policy or policies in the limits set forth below. The said property insurance policy shall be written on an "all risk" basis with an agreed amount endorsement attached. The said comprehensive general liability insurance policy shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability.

The minimum limits as to the aforesaid baggage legal liability, cargo legal liability and real property legal liability policy and policies shall be as follows:

Baggage Legal Liability	$10,000,000
Cargo Legal Liability	$10,000,000
Real Property Legal Liability (Fire Legal Liability)	$10,000,000

All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Company thereunder with respect to any claim or action against the Company by a third person shall pertain and apply with like effect with respect to any claim or action against the Company by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protections afforded the Agency and the Trustee thereunder and with respect to any claim or action against the Agency or the Trustee by the Company shall be the same as the protections afforded the Company thereunder with respect to any claim or action against the Company by a third person as if the Agency or the Trustee were the named insureds thereunder but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency and the Trustee thereunder as additional insureds. The said policy or policies of insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Company under the Port Authority Lease and any analogous provision of the New City/American Lease (if then effective).

All insurance required under the IDA Lease Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

The Company shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Agency to collect from insurers for any loss covered by any insurance required to be obtained under the IDA Lease Agreement. The Company shall not do any act, or suffer or permit any act to be done, whereby any insurance required by the IDA Lease Agreement would or might be suspended or impaired.

In addition to notifying its insurer(s) in accordance with the policies, the Company shall provide prompt written notice to the Agency and the Trustee as soon as reasonably possible of any accident or loss relating to the Facility likely to exceed 50% of the applicable coverage limits. The limits of insurance set forth in the IDA Lease Agreement shall in no way be construed to limit the Company's, its contractors' or its subcontractors' liability under the IDA Lease Agreement. All insurance provided by the Company, its contractors and its subcontractors shall be primarily as regards the liabilities under the IDA Lease Agreement, and any insurance maintained by the Agency shall be in excess and not contributing with the Company's, its contractors' or its subcontractors' insurance.

Compliance with Law. The Company agrees that it will, throughout the term of the IDA Lease Agreement and at its sole cost and expense and subject to the provisions of the IDA Lease Agreement, promptly observe and comply or cause to be observed and complied with, in all material respects, all federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Company, any occupant, user or operator of the Facility or any portion thereof (including without limitation those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) (the "*Legal Requirements*"). The Company shall not occupy, use or operate the Facility or allow the Facility or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or that may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto. The Company shall indemnify and hold harmless the Indemnified Parties (as defined herein under "—Particular Covenants—*Indemnification*") from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement or (b) imposed upon the Company or any of the Indemnified Parties by any Legal Requirement; in case any action or proceeding is brought against any of the Indemnified Parties in respect to any Legal Requirement, the Company shall upon notice from any of the Indemnified Parties defend such action or proceeding.

The Company may contest in good faith the validity, existence or applicability of any of the Legal Requirements if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of any lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Company or the Agency under the IDA Lease Agreement,

the interest of the Trustee under the Indenture or the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the Company Sublease (and as evidenced by a certificate of an Authorized Representative of the Company) shall not result in the Facility or any material part thereof or interest therein being in any material risk of being sold, forfeited or lost, and shall not materially adversely affect the Company's ability to pay and perform its obligations hereunder or under any other Security Document, and (ii) such contest shall not result in the Agency, the Leasehold Mortgagee or the Trustee being in any danger of any criminal liability for failure to comply therewith.

Damage, Destruction and Condemnation

In the event that at any time during the term of the IDA Lease Agreement the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement (to which the Company shall consent in writing) between the Agency and those authorized to exercise such right, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a *"Loss Event"*):

(i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the rent or other amounts payable by the Company under the IDA Lease Agreement, and

(iii) the Company will promptly give written notice of any material Loss Event to the Agency and the Trustee, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, insurance proceeds with respect to the Leased Facilities shall be applied as required under the Basic Lease and the Port Authority Lease or the New City/American Lease (if then effective).

If all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Company as contemplated under the IDA Lease Agreement, and such taking or condemnation shall not be subject to appeal or further appeal, the Company shall exercise its option to terminate the IDA Lease Agreement pursuant to the terms of the IDA Lease Agreement and cause all Bonds Outstanding to be redeemed pursuant to the Indenture, and the Company shall pay to the Trustee for deposit ratably in each of the Redemption Accounts of the Bond Fund an amount that, when added to the total amount then in all of the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date) and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents, together with all other amounts due under the Indenture and under the IDA Lease Agreement, and such amount shall be applied, together with such other available moneys in the Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

The Agency and the Company shall cooperate and consult with each other in all matters pertaining to the settlement, compromising, arbitration or adjustment of any claim or demand on account of any Loss Event, but the settlement, compromising, arbitration or adjustment of any such claim or demand shall be subject to the approval of the Company.

The Company waives the provisions of Section 227 of the New York Real Property Law or any law of like import now or hereafter in effect.

Particular Covenants

Dissolution or Merger of Company; Restrictions on Company. The Company covenants and agrees that at all times during the term of the IDA Lease Agreement, it will (i) maintain its corporate existence, (ii) continue to be a corporation subject to service of process in the State and duly qualified to do business as a foreign corporation in the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets, and (iv) not consolidate with or merge into another corporation. The Company may, however, without violating the foregoing, consolidate with or merge into another corporation, or sell or otherwise transfer all or substantially all of its property, business or assets to another such corporation (and thereafter liquidate, wind-up or dissolve or not, as the Company may elect) if (y) such consolidation, merger, sale or transfer shall not cause the Company to be in default under the terms of the Port Authority Lease, the City Attornment Agreement, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the Leasehold Mortgage, upon the effectiveness thereof, the Equipment Security Agreement, any other Security Agreement or the New City/American Lease (if then effective) and (z) (i) the Company is the surviving, resulting or transferee corporation, as the case may be, or (ii) in the event that the Company is not the surviving, resulting or transferee corporation, as the case may be, such corporation (A) is not a Prohibited Person, (B) is a solvent corporation subject to service of process in the State and either incorporated in or duly qualified to do business as a foreign corporation in the State, and (C) assumes in writing, by means of an instrument that is delivered to the Agency and the Trustee, all of the obligations of the Company contained in the Port Authority Lease, the City Attornment Agreement, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the New City/American Lease (if then effective), and in the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage (if then effective), the Equipment Security Agreement, and all other Security Documents to which the Company shall be a party, and in the Opinion of Counsel, such corporation shall be bound by all of the terms applicable to the Company of the IDA Lease Agreement, the Port Authority Lease, the Company Sublease, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the City Attornment Agreement, the New City/American Lease (if then effective), the Leasehold Mortgage (if then effective), the Equipment Security Agreement and all other Security Documents to which the predecessor Company corporation shall have been a party and such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents.

Indemnification. The Company shall at all times protect and hold the Agency, the Trustee, the Bond Registrar and the Paying Agents (collectively, the *"Indemnified Parties"*) harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature

and however caused, including reasonable costs, disbursements and expenses (including reasonable legal fees and expenses) and taxes (of any kind and by whomsoever imposed), other than, with respect to the Agency, losses arising from the gross negligence or willful misconduct of the Agency, or, with respect to any other Indemnified Party, losses arising from the negligence or willful misconduct of such other Indemnified Party, arising upon or about the Facility or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Facility and the marketing, issuance, sale and remarketing of the Agency's Bonds for such purpose (including all expenses and liability relating to any Internal Revenue Service audit or inquiry with respect to the Bonds), (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, (iii) any defects (whether latent or patent) in the Facility, (iv) any violation of or failure to comply with or requirement to comply with any Legal Requirement (v) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion of the Facility, or (vi) the Port Authority Lease, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the New City/American Lease, if any, the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Equipment Security Agreement or any other Security Document or other document or instrument delivered in connection with the IDA Lease Agreement or the enforcement of any of the terms or provisions thereof or the transactions contemplated thereby. Such indemnification described above shall be binding upon the Company for any and all claims, demands, expenses, liabilities and taxes set forth in the IDA Lease Agreement and shall survive the termination of the IDA Lease Agreement. No Indemnified Party shall be liable for any damage or injury to the person or property of the Company or its directors, officers, employees, agents or servants or persons under the control or supervision of the Company or any other Person who may be about the Facility, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of the Agency or the negligence or willful misconduct of any other Indemnified Party.

The Company releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable for, and agrees to indemnify and hold each Indemnified Party harmless against, any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters described in clauses (i) through (vi) of the preceding paragraph or at the direction of the Company with respect to any of such matters described above. An Indemnified Party shall promptly notify the Company in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Company pursuant to the indemnification provisions of the IDA Lease Agreement described herein; such notice shall be given in sufficient time to allow the Company to defend such claim or action. The failure of an Indemnified Party to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Company under the indemnification provisions of the IDA Lease Agreement, if (i) any officer or management-employee of the Company shall have actual knowledge of such claim or action, or (ii) any officer or professional staff of such Indemnified Party who shall have responsibility with respect to the handling of such claim or action shall not have actual knowledge thereof; *provided* that if any such officer or professional staff referred to in clause (ii) above shall have had actual knowledge thereof in reasonably sufficient time to give

notice thereof to the Company and shall have failed to do so, and an officer or management-employee of the Company referred to in clause (i) above shall not have actual knowledge of such claim or action, such failure will reduce the liability of the Company under the indemnification provisions of the IDA Lease Agreement by the amount of actual damages resulting from such failure, but such failure will not otherwise relieve the Company from its obligations under the indemnification provisions of the IDA Lease Agreement. In the event the Company shall have suffered actual damages by reason of a circumstance referred to in the preceding sentence for which the Company's liability to an Indemnified Party is not to be reduced, such Indemnified Party shall (at the sole cost and expense of the Company) take such action to mitigate damages (including seeking to open any default judgment as might exist) as may be reasonably requested by the Company.

In addition to and without limitation of all other representations, warranties and covenants made by the Company under the IDA Lease Agreement, the Company further represents, warrants and covenants therein that the Company has not used Hazardous Materials (as defined below) in acquiring, constructing, renovating, expanding or equipping the Facility in any manner that violates federal, state or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and other than as disclosed to the Indemnified Parties, the Company has no actual knowledge of the presence or use of any Hazardous Materials on the Leased Facilities in a manner that would violate any such laws, ordinances, rules, regulations or policies. The Company shall comply with and require compliance by all tenants and subtenants of the Leased Facilities, in the generation, manufacture, refining, transport, treatment, storage, handling, disposal, transfer, production or processing of Hazardous Materials, with all applicable federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and require that all tenants and subtenants of the Leased Facilities obtain and comply with, any and all approvals, registrations or permits required thereunder. The Company shall defend, indemnify, and hold harmless each Indemnified Party from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (w) the presence, disposal, release, or threatened release of any Hazardous Materials with respect to the Leased Facilities that are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (x) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such presence, disposal, release, or threatened release of Hazardous Materials; (y) any lawsuit brought or threatened, settlement reached, or government order relating to such presence, disposal, release, or threatened release of Hazardous Materials, and/or (z) any violation of laws, orders, regulations, requirements or demands of government authorities, which are based upon or in any way related to such presence, disposal, release or threatened release of Hazardous Materials including, without limitation, reasonable attorney and consultant fees and expenses, investigation and laboratory fees, court costs, and litigation expenses. For purposes of this paragraph, *"Hazardous Materials"* includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, *et seq.*), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 *et seq.*), the

Resources Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, *et seq.*), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation. The provisions of the IDA Lease Agreement described in this paragraph shall be in addition to any and all other obligations and liabilities the Company may have to any Indemnified Party at common law, and shall survive the termination of the IDA Lease Agreement.

In the event any claim, action, suit or proceeding shall be brought against an Indemnified Party within the protections provided by the Company under the indemnification provisions of the IDA Lease Agreement described herein, the Company shall, promptly after being so requested by such Indemnified Party, at the sole cost and expense of the Company, assume and direct the defense thereof, with counsel reasonably satisfactory to such Indemnified Party (counsel selected by the Company's insurance carrier being deemed to be so acceptable), and in such event the Company shall not be liable to such Indemnified Party for any legal or other expenses incurred by such Indemnified Party in connection with the defense thereof; *provided, however,* that unless and until the Company assumes the defense of any such action at the request of such Indemnified Party, the Indemnified Party shall have the right to conduct the defense of such action at the Company's expense; and *provided, further,* that if an Indemnified Party reasonably concludes that there may be defenses available to it or them that are different from or in addition to the defenses available to the Company (in which case the Company will not have the right to direct the defense of such claim, action, suit or proceeding on behalf of such Indemnified Party), reasonable legal and other expenses incurred by such Indemnified Party will be paid by the Company. If the Company shall not promptly employ counsel to have charge of the defense of any such claim, action, suit or proceeding, reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Company.

The indemnifications and protections set forth in the indemnification provisions of the IDA Lease Agreement and described herein shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

The covenants of the Company contained in the indemnification provisions of the IDA Lease Agreement and described herein shall remain in full force and effect after the termination of the IDA Lease Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions thereof herein described.

Retention of Interest in the Facility. The Agency shall not sell, assign, encumber (other than pursuant to the Equipment Security Agreement, or the granting clauses of the Indenture), convey or otherwise dispose of its interest in the Facility or any part thereof or interest therein (including its interest in the IDA Lease Agreement, and in the rentals payable under the IDA Lease Agreement and in the Company Sublease) during the term of the IDA Lease Agreement, except as set forth therein without the prior written consent of the Company, the Trustee and the Leasehold Mortgagee and any purported disposition without such consent shall be void.

The Agency and the Trustee, will, however, at the written direction of the Company and/or the Port Authority and at the written direction of the Company and/or the City during any period, if any, that the New City/American Lease shall be in effect, so long as there exists no Event of Default under the IDA Lease Agreement, grant such rights of way or easements over, across or under the Leased Facilities, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of the IDA Lease Agreement and the Company Sublease as shall be necessary or convenient for the operation or use of the Facility (or as shall be desirable for the use of another parcel of property at the Airport or for use by the City, the Port Authority or a public utility), *provided* that such leases, rights-of-way, easements, permits or licenses shall not materially adversely affect the use or operation of the Facility and shall not violate the provisions of the Leasehold Mortgage. The Agency and the Trustee agree, at the sole cost and expense of the Company, the Port Authority or the City, as the case may be, to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of the IDA Lease Agreement.

So long as there exists no Event of Default under the IDA Lease Agreement, the Company and/or the Port Authority may, and the Company and/or the City may during any period, if any, that the New City/American Lease shall be in effect, from time to time by written direction to the Agency and the Trustee direct the Agency and the Trustee to release and remove from the IDA Lease Agreement and the leasehold estate created thereby any unimproved part of the Leased Facilities (on which none of the improvements, including the buildings, structures, improvements, related facilities, fixtures or other property comprising the Facility are situated; *provided* the foregoing "improvements" shall not include roadways, runways, parking areas, curbs, gutters, landscaping and utility facilities) on the condition that such release and removal shall only constitute a Minor Release. Upon any such request by the Company and/or the Port Authority or the Company and/or the City, as the case may be, the Agency and the Trustee shall, at the sole cost and expense of the Company, the Port Authority or the City, as the case may be, execute and deliver any and all instruments necessary or appropriate to so release and remove such portion of the Leased Facilities; *provided*, that, no such release shall be effected unless there shall be delivered to the Trustee and the Agency a certificate of an Authorized Representative of the Company stating that (i) the proposed Minor Release will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility immediately prior to such release (such determination to be based upon a report or appraisal of a nationally recognized airport engineering, traffic or consulting firm selected by the Company and acceptable to the Trustee to be appended to such certification of the Company), (ii) there exists no Event of Default under the Security Documents, and (iii) simultaneously with such release, the part of the Leased Facilities which is the subject of such Minor Release shall be eliminated from the Port Authority Lease or the New City/American Lease, as the case may be.

In the event that, pursuant to the Port Authority Lease or the New City/American Lease, any portion of the Leased Facilities is released from the Port Authority Lease or the New City/American Lease, if any, and such release constitutes a Major Release, the Company shall pay as additional rent to the Trustee on behalf of the Agency an amount equal to the Release Price and such Release Price shall be applied by the Trustee to the redemption of Bonds in

accordance with the Indenture. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities.*"

No conveyance or release effected shall entitle the Company to any abatement or diminution of the rents payable under the IDA Lease Agreement.

Redemption Under Certain Circumstances; Special Covenants. Upon the determination by resolution of the board members of the Agency that the Company is operating all or substantially all of the Facility, or is allowing all or substantially all of the Facility to be operated, other than as a qualified "project" in accordance with the Act (as in effect on the date of original issuance and delivery of the Series 2002 Bonds) and the failure of the Company within 60 days (or such longer period as may be established under the IDA Lease Agreement as described in the proviso to this sentence) of the receipt by the Company of a copy of said resolution, together with written notice of such noncompliance from the Agency to cure such noncompliance (a copy of which notice shall be sent to the Trustee), the Company covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the termination of such 60 day (or longer) period for which sufficient notice of redemption can be given in accordance with the requirements of the Indenture, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem all Outstanding Bonds in whole at a redemption price equal to 100% of the unpaid principal amount of the Outstanding Bonds, together with interest accrued to the date of redemption and without premium, *provided, however,* that if such noncompliance cannot be cured within such period of 60 days with diligence (and is capable of being cured) and the Company promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency's reasonable satisfaction, such period of time within which the Company may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee and the Bondholders of any such extension. The Agency shall give to the Company and the Trustee prior written notice of the meeting at which the members of the Agency are to consider such resolution, which notice shall be no less than 60 days prior to such meeting. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project.*"

The Company shall be conclusively deemed to be operating all or substantially all of the Facility (or causing all or substantially all of the Facility to be operated) as a qualified "project" in accordance with the Act, if all or substantially all of the Facility shall be operated for general airport purposes substantially similar in nature to that conducted by the Company or other air carriers at the City's airports and other equivalent airports.

Upon the occurrence of the circumstances requiring a mandatory redemption of any series of Bonds pursuant to the applicable Series Supplemental Indenture, the Company shall pay, or cause the prepayment of, its lease rental obligations upon the circumstances and in the manner set forth in the Indenture or any such Series Supplemental Indenture.

Company's Covenants as to Tax Exemption. To the extent compliance is within the control of the Company, the Company covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds (other than interest on Bonds accruing while owned by a "substantial user" or a related person (within the meaning of Section 147 of the Code)) from gross income for federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the foregoing, the Company covenants that it shall not fail to take any action or consent to the failure to take any action which such failure to act, or consent would cause the interest on the Tax-Exempt Bonds to be includable in gross income for federal income tax purposes under Section 103 of the Code. In furtherance of the covenant described in the preceding sentence, the Company agrees to comply with the terms, provisions and conditions in the each of the applicable Tax Certificates, including without limitation, the making of any payments and filings required thereunder.

The Company covenants that it will not take any action or fail to take any action that may be taken by the Company with respect to the Tax-Exempt Bonds that would cause such Tax-Exempt Bonds to be "arbitrage bonds," within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

The obligation of the Company to make the payments under the IDA Lease Agreement described in the two preceding paragraphs shall be absolute and unconditional, and the failure of the Agency, the Trustee or any other Person to execute or deliver or cause to be executed or delivered any documents or to take any action required under the IDA Lease Agreement or otherwise shall not relieve the Company of such obligations.

So long as it is necessary in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, the covenants contained in the IDA Lease Agreement described in the three preceding paragraphs shall survive the discharge and satisfaction of the Tax-Exempt Bonds (in accordance with the Indenture) and the term of the IDA Lease Agreement.

The Company agrees that the covenants, representations, warranties, and statements of expectation contained or incorporated by reference in the IDA Lease Agreement and described in this subheading shall be accurate and true and complied with as of the date on which each series of Tax-Exempt Bonds is issued and at all times thereafter until such series of Tax-Exempt Bonds are fully discharged and no longer accruing interest. The Company further agrees that if such discharge date is earlier than the final stated maturity date of such series of Tax-Exempt Bonds, the Company must continue to comply with the representations, certifications and covenants contained in or incorporated by reference in the IDA Lease Agreement and described in this subheading unless the Company receives a Favorable Opinion of Bond Counsel.

The Company agrees that except to the extent that such use would not adversely affect the exclusion pursuant to Section 103(a) of the Code of interest on any Tax-Exempt Bonds from gross income of the owners thereof, no part of the proceeds of any Bonds or any funds held under the Indenture shall at any time be used directly or indirectly for any purpose that would cause any component of the Project to be financed with the proceeds of the Tax-Exempt Bonds

(other than components the cost of which was a Nonqualified Cost) to become a facility not within those facilities referred to in Section 142(a)(1) of the Code.

The Company agrees and covenants that, except for amounts requisitioned from the Mortgage Reserve Fund, no requisition shall be paid from Net Proceeds of the Tax-Exempt Bonds for any Project Cost of the Project which is not a Qualified Cost (other than costs of issuance) until the date on which the aggregate Qualified Costs theretofore and thereupon paid equals or exceeds 95% of the total costs of the Project theretofore and thereupon paid from the Net Proceeds of the Bonds. After such date, the Company, as agent for the Agency, may pay any requisition that, after payment thereof, results in 95% or more of the remaining Net Proceeds of the Tax-Exempt Bonds theretofore and thereupon requisitioned or transferred being used to pay Qualified Costs, unless the Company receives an opinion of Bond Counsel to the effect that the Company may disregard such covenant without adversely affecting the exclusion from gross income of the interest on the Bonds for federal income tax purposes, in which case the Company may pay any such requisition without regard to such covenant. The representations, warranties, covenants and statements of expectation of the Company set forth in each applicable Tax Certificate are incorporated in the IDA Lease Agreement.

Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease. At least five Business Days prior to the execution of any material amendment, supplement or modification to the New City/American Lease, if any, the City Attornment Agreement or the Agreement Towards Entering Into a Lease, the Company shall deliver a copy of same in substantially final form to each of the Agency and the Trustee. The Company further covenants that it shall not (i) terminate, (ii) surrender, or (iii) materially amend the City Attornment Agreement, or the Agreement Towards Entering Into a Lease without the Trustee's prior written consent.

The Company shall not modify, amend, supplement or extend Section 92 or any analogous provision of the New City/American Lease, nor shall the Company enter into any amendment of the Port Authority Lease or the New City/American Lease which shall only affect a Qualifying Replacement Tenant under the Port Authority Lease or successor lessee under the New City/American Lease and shall not affect the originally named Company, without the prior consent of the Trustee in each case.

The Company shall not enter into any termination agreement with respect to the Port Authority Lease or the New City/American Lease (if then effective), nor surrender or abandon its interest in the Leased Facilities under the Port Authority Lease or the New City/American Lease other than as contemplated by the IDA Lease Agreement and described herein. The foregoing provision shall not in any way limit or modify the Company's obligations under the Port Authority Lease.

The Company shall use commercially, reasonable good faith efforts to obtain the certificate of the Port Authority certifying that there has been substantial completion of the Redevelopment Work.

Upon the execution, delivery and recording of any mortgage of the Company's leasehold interest in the New City/American Lease, the Company shall pay any Mortgage Recording Tax due with respect to the recording thereof or provide proof satisfactory to the Trustee that no such Mortgage Recording Tax is due and payable upon recording of such mortgage.

The Company covenants that (i) on or before the date it delivers to the Trustee the executed Leasehold Mortgage in accordance with the provisions of the IDA Lease Agreement described in the third succeeding paragraph, it shall pay to the Trustee for deposit in to the Foreclosure Payment Account of the Mortgage Reserve Fund an amount equal to the Foreclosure Payment Account Requirement and (ii) it will replenish any deficiencies in the Foreclosure Payment Account based upon the valuation of the assets thereof in accordance with the Indenture.

In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Company shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to obtain and execute, not later than December 1, 2015, the New City/American Lease. Simultaneously with the execution of the New City/American Lease, the Company shall execute and deliver an amended and restated Company Sublease to provide for the sublease of the Leased Facilities under the New City/American Lease from the Company to the Agency and, if necessary, an amended and restated IDA Lease Agreement to provide for the sublease of the Lease Facilities from the Agency to the Company.

The Company covenants and agrees that it shall comply with the Section 92(d) Provisions in connection with the recordation of the Leasehold Mortgage. In the event that any recordation of the Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage, the Company expressly covenants, represents and agrees that it shall cooperate with the Port Authority and the Trustee, and shall promptly take or cause to be taken any and all actions requested by the Port Authority or the Trustee or required under applicable law, to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Company to comply with the Section 92 Provisions or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of the IDA Lease Agreement in the event such failure or Wrongful Recording of the Leasehold Mortgage is cured as provided in the IDA Lease Agreement and described in this paragraph or, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived in writing by the Port Authority. After the Redevelopment Work has been completed, the Company shall take such actions as are necessary to satisfy the conditions set forth in subsections (i) and (v) of Section(d)(1) of Section 92 as described herein in clauses (a) and (e) of the first paragraph under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting—*Reletting Rights Effective Date Conditions*" and subsections (i) and (ii) of Section (d)(3) of Section 92 as described herein in the fifth paragraph under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

The Company and the Agency covenant and agree that each shall in accordance with the Section 92(d) Provisions, execute the Leasehold Mortgage and deliver two execution copies of the same to the Trustee no later than 21 Business Days after the Reletting Rights Effective Date. Simultaneously with such delivery, the Company shall deliver to the Trustee an Opinion of Counsel reasonably satisfactory to the Trustee as to the validity and enforceability of the Leasehold Mortgage and the Company shall direct the Trustee to record the Leasehold Mortgage in the appropriate recording office of the City.

In the event the Basic Lease shall have expired and the Company occupies the Leased Facilities under the New City/American Lease, the Company shall use commercially reasonable good faith efforts to negotiate, execute and deliver to the Leasehold Mortgagee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage; *provided, however,* that if the Company, using such efforts, can only obtain from the City the right to deliver to the Leasehold Mortgagee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Company shall be deemed to have satisfied such obligation if it shall grant to the Leasehold Mortgagee such a leasehold mortgage.

Events of Default; Remedies

Events of Default. Any one or more of the following events shall constitute an "Event of Default" under the IDA Lease Agreement:

(a) Failure of the Company to make any rental payment that has become due and payable by the terms of the IDA Lease Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Company to observe and perform any covenant, condition or agreement on its part to be performed (except as described in the preceding paragraph) as described herein under "Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Lease of the Facility*" (the last sentence thereof), the last paragraph of "—Maintenance, Taxes and Insurance—*Maintenance, Alterations and Improvements,*" "—*Payment of Impositions,*" "*Compliance with Law,*" the third paragraph under "—Damage, Destruction and Condemnation," "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company,*" and "—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*" (except as described in clause (i) of the fifth paragraph thereof) and in the provisions of the IDA Lease Agreement with respect to the discharge of liens and assignment or sublease (with respect to an assignment or transfer of the IDA Lease Agreement) of the IDA Lease Agreement and (1) continuance of such failure for a period of 60 days after receipt by the Company of written notice specifying the nature of such default from the Agency, the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said 60 days, the Company fails to

proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(c) Certain representations or warranties made by the Company in the IDA Lease Agreement shall prove to be false, misleading or incorrect in any material respect as of the date made, and, if the damage caused by such false, misleading or incorrect representation or warranty is capable of being remedied, the failure of the Company for 360 days after receipt by the Company of written notice specifying such false, misleading or incorrect representation or warranty from the Agency, the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, to remedy such damage;

(d) An "Event of Default" under the Indenture shall occur and be continuing that shall result in the acceleration of the principal of any Outstanding Bonds; or

(e) Failure of the Company to fully fund the Foreclosure Payment Account in an amount equal to the Foreclosure Payment Account Requirement as required in the IDA Lease Agreement and described herein in the fifth paragraph under "—Particular Covenants— *Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease.*"

Remedies on Default. Whenever any Event of Default shall have occurred and be continuing under the IDA Lease Agreement, the Agency, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon to the date of such acceleration, shall become immediately due and payable; *provided, however,* that upon the occurrence of an Event of Default under the Indenture due to the occurrence of an Act of Bankruptcy, all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement, together with the accrued interest thereon to the date of such acceleration, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) Solely in conjunction with the exercise by the Trustee as mortgagee of its rights and remedies under the Leasehold Mortgage, the Trustee, or the Agency, with the prior written consent of the Trustee, may, subject to compliance with the provisions of the IDA Lease Agreement pertaining to assignment or sublease and without terminating the IDA Lease Agreement, re-let or sublease the Facility to a Qualifying Replacement Tenant Lessee for the account of the Company, holding the Company liable for the

difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Company under the IDA Lease Agreement;

(c) The Agency, with the prior written consent of the Trustee, or the Trustee, may terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein granted or vested in the Company shall cease and terminate. No such termination of the IDA Lease Agreement shall relieve the Company of its liability and obligations under the IDA Lease Agreement and such liability and obligations shall survive any such termination; and

(d) The Trustee may take whatever action at law or in equity (subject to the limitations set forth in the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Limitation of Remedies*") as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Company under the IDA Lease Agreement the enforcement of which shall not have been expressly reserved only to the Agency.

The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by an action for damages, injunction or specific performance, by requiring the surrender by the Company to the Agency of the Sales Tax Letter for suspension or cancellation and/or termination.

In the event that the Company fails to make any rental payment required by the IDA Lease Agreement, the installment so in default shall continue as an obligation of the Company with interest thereon at the rate or rates borne by the Bonds until the amount in default shall have been fully paid.

No action taken pursuant to any remedy described under this subheading shall, except as expressly provided in the IDA Lease Agreement, relieve the Company from the Company's obligations under the IDA Lease Agreement, all of which shall survive any such action.

Remedies Cumulative. IDA Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the IDA Lease Agreement. Failure by the Agency or the Trustee to insist upon the strict performance of any of the covenants and agreements therein set forth or to exercise any rights or remedies upon default by the Company thereunder shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Company with all of the covenants and conditions thereof, or of the rights to exercise any such rights or remedies.

Limitation on Remedies Upon an Event of Default. The exercise of remedies under the IDA Lease Agreement by the Agency, the Trustee or the Holders of Bonds with respect to an Event of Default thereunder shall be subject to the provisions of the Indenture described herein

under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default: Remedies—*Limitation of Remedies.*"

Non-Default Remedies. Notwithstanding any provision of the IDA Lease Agreement to the contrary, the Agency, or the Trustee on behalf of the Agency, shall have the right to enforce any covenant or obligation of the IDA Lease Agreement the breach of which would not constitute an Event of Default thereunder by any action for damages, injunction or specific performance and any such action shall be limited by and subject to the provisions of the Indenture described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Limitation of Remedies.*"

Options

Removal, Sale and Substitution of Facility Equipment. The Company may, *provided* that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, remove any unit of Facility Equipment constituting Financed Property, not subject to the Port Authority Lease, the Basic Lease or the New City/American Lease, as the case may be, whether obsolete or not; *provided, however,* that the Company shall promptly replace any such Facility Equipment so removed with equipment of the same or a different kind but that is of at least equal value and capable of performing the same function as efficiently as the Facility Equipment so removed, *provided further* that such replacement equipment is free of all mortgages, liens, charges, encumbrances, claims and security interest other than Permitted Encumbrances and the replacement equipment shall be deemed Facility Equipment covered by the IDA Lease Agreement and the Equipment Security Agreement. Prior to any such replacement by the Company, (i) the Company shall deliver to the Agency a certificate by an Authorized Representative of the Company setting forth a complete description, including make, model and serial numbers, if any, of the Facility Equipment to be replaced and the Facility Equipment to be substituted, and the cost of each; (ii) the Company shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any such replacement equipment and subjecting such replacement equipment to the IDA Lease Agreement; and (iii) the Company and the Agency shall deliver or cause to be delivered to the Trustee appropriate documents subjecting such replacement equipment to the lien and security interest of the Leasehold Mortgage and the Equipment Security Agreement. Any Facility Equipment removed by the Company pursuant to the IDA Lease Agreement as described in this paragraph shall become the absolute property of the Company and may be sold or otherwise disposed of by the Company without accounting to the Agency with respect thereto. The Company agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the IDA Lease Agreement and the lien and security interest of the Leasehold Mortgage or Equipment Security Agreement of any property installed or placed on the Premises as part of the Facility pursuant to the IDA Lease Agreement.

The Company shall have the right, (i) *provided* that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, and (ii) *provided* that any such sale shall not adversely affect operations at the Leased Facility, to compel the sale of any unit of Facility Equipment for any reason (whether during the term of the IDA Lease Agreement or at the expiration thereof). The Company shall give notice of its election to have such Facility

Equipment sold by delivering to the Agency a certificate signed by a representative of the Company (i) stating the Company's desire to have the Facility Equipment sold and that removal of such Facility Equipment will not adversely affect operations at the Leased Facility, (ii) containing a complete description, including the make, model and serial number, if any, of any Facility Equipment to be sold and (iii) setting forth the original cost of such unit of Facility Equipment.

Provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, the Company shall have the right (the *"Right of First Refusal"*) to purchase any unit of Facility Equipment to be sold, subject to the procedures set forth in the IDA Lease Agreement. The Right of First Refusal must be exercised by written notice to the Agency. If the Right of First Refusal is exercised, then, subject to the provisions set forth in the IDA Lease Agreement, the Agency shall convey to the Company, and the Company shall purchase from the Agency, the Agency's interest in the unit of Facility Equipment.

Upon the sale of any unit of Facility Equipment described in the third preceding paragraph: (i) the Agency shall convey the unit of Facility Equipment without representation or warranty, other than that such unit of Facility Equipment is free and clear of all liens created solely by the Agency, by a duly executed and acknowledged bill of sale of the Facility Equipment, (ii) upon the date fixed for any purchase of the Agency's interest in such unit of Facility Equipment, the purchaser shall pay to the Trustee the fair market value of such equipment as determined by the Company pursuant to a certificate of the Company, by wire transfer of immediately available funds, (iii) in the event any such purchase occurs within the three years of the acquisition of such Facility Equipment by the Agency and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Company shall pay Sales Tax Savings to the Agency in the amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment, (iv) the Agency shall execute and deliver to the purchaser, at the purchaser's expense, such other documents as the purchaser may request in order to effect such conveyances as are customary in similar transfers, and (v) the Trustee shall deposit the proceeds of the sale in any Redemption Account(s) of the Bond Fund (as specified by the Company) to be applied to the prepayment of Bonds then Outstanding. In the event that the application of such proceeds of the sale to the payment of the Bonds as described in clause (v) above would adversely affect the exclusion pursuant to Section 103(a) of the Code of interest on any Bonds from the gross income of the owners thereof for federal income tax purposes, the Company shall have the option to cause the sale of the unit of Facility Equipment (regardless of its exercise of the Right of First Refusal) and to exercise its Right of First Refusal without having the proceeds of the sale applied to the payment of the Bonds. Upon the sale of the Facility Equipment, the Company shall no longer have any obligation to the Agency with regard to such Facility Equipment under the IDA Lease Agreement.

No such removal or replacement shall be effected if (w) such removal or replacement would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, or change the nature of the Financed Property so that it would cease to be an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, (x) such removal or replacement would cause the Company to be in breach or default of the Port Authority Lease, the Agreement Towards Entering Into a Lease or the New City/American Lease (if then effective),

(y) such removal or replacement would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

The Company shall not, without the prior written consent of the Agency, and except as permitted under the IDA Lease Agreement, remove any Financed Property from the Facility.

The removal from the Facility of any Facility Equipment pursuant to the IDA Lease Agreement shall not entitle the Company to any abatement or reduction in the rentals or other amounts payable by the Company under the IDA Lease Agreement.

Option to Purchase or Invite Tenders of Bonds. The Company shall have the option, at any time during the term of the IDA Lease Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. In the event the Company or any Affiliate shall hold a majority in aggregate principal amount of the Bonds Outstanding for a period in excess of 180 days and the Company shall have not delivered to the Agency and the Trustee either (i) a certificate of an Authorized Representative of the Company that the reason for such holding is an inability to effect the remarketing of such Bonds at a reasonable price and that upon a return of favorable market conditions the Company intends to remarket such Bonds, or (ii) an opinion of Bond Counsel to the effect that such holding of Bonds by the Company (y) will not permanently cause the interest on the Bonds to become includable in gross income for federal income tax purposes, nor (z) adversely affect the validity of the Bonds, then the Company shall cause all such Bonds so held to be delivered to the Trustee for cancellation. The Agency shall at all times make available or cause to be made available to the Company its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Right to Prepay Rentals. With respect to each series of Bonds, the Company shall have the option to make prepayments of rent under the IDA Lease Agreement. Any such prepayment shall be deposited in the applicable Redemption Account of the Bond Fund (as specified by the Company) to effect the defeasance of the lien of the Indenture with respect to such series in whole or the redemption in whole or in part of such series of Bonds, all in accordance with the terms of the Indenture; *provided, however,* that no optional partial redemption of Bonds may be effected through advance rental payments under the IDA Lease Agreement if there shall exist and be continuing an Event of Default with respect to the Bonds. The Company shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized Representative of the Company to the Trustee in accordance with the Indenture, with a copy to the Agency, setting forth (i) the amount of the advance rental payment, (ii) the principal amount and series of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), (iii) in the case of any partial redemption, the maturities of principal amounts of Bonds of such series and maturities to be redeemed, and (iv) the date on which such principal amount of Bonds are to be redeemed, which date shall not be sooner than 40 days from the date of such Company notice. Such advance rental payment shall be paid to the Trustee in immediately available funds on or before the redemption date and shall be in an amount that, when added to the amount on deposit in the Bond Fund and available therefor, will

be sufficient to pay the redemption price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency (in the event of a redemption in whole or defeasance of the lien of the Indenture), the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event all the Bonds are to be redeemed in whole or otherwise retired, the Company shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar and the Paying Agents, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the IDA Lease Agreement or the Indenture together with all other amounts due and payable under the IDA Lease Agreement and the other Security Documents.

Force Majeure. In case by reason of force majeure either party to the IDA Lease Agreement shall be rendered unable wholly or in part to carry out its obligations under the IDA Lease Agreement, then except as otherwise expressly provided in the IDA Lease Agreement, if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Company to make the rental payments or other payments required under the IDA Lease Agreement, or to comply with the sections described under "—Maintenance, Taxes and Insurance—*Insurance*," "—Particular Covenants—*Indemnification*," "—Particular Covenants—*Company's Covenants as to Tax Exemption*" and "—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*," and the sections of the IDA Lease Agreement regarding compensation and expenses, filings, discharge of liens and non-recourse to the officers and directors of the Agency), so far as they are affected by such force majeure, shall be suspended during the continuance of the inability then claimed which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, terrorism, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

Termination of the Agreement. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Master Indenture, the Company may terminate the IDA Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under the IDA Lease Agreement and the other Security Documents, together with any amounts

required to be rebated to the federal government pursuant to the Indenture or each of the applicable Tax Certificates and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of certain obligations of the Company under the IDA Lease Agreement.

Assignment or Sublease. (a) The Company shall not sublet nor permit to be sublet all or substantially all of the Facility, without the prior written consent of the Agency (which consent shall not be unreasonably withheld or delayed). No consent of the Agency shall be required for any subletting by the Company of less than all or substantially all of the Facility.

(b) No consent of the Agency shall be required for any assignment or transfer of the IDA Lease Agreement pursuant to the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company.*"

(c) Any assignment or transfer of the IDA Lease Agreement (other than as described in clause (b) above) shall require the prior written consent of the Agency which consent shall not be unreasonably withheld or delayed.

(d) With respect to any subletting in whole or in part of the Facility, the Company shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the IDA Lease Agreement and of the Leasehold Mortgage or any other Security Document to which it shall be a party.

(e) With respect to any assignment or transfer of the IDA Lease Agreement for which no consent of the Agency shall be required as above described, or for which consent of the Agency shall be both required and have been given, such assignee or transferee of the Company shall assume in writing and agree to keep and perform all of the terms of the IDA Lease Agreement on the part of the Company to be kept and performed from the date of original execution and delivery of the IDA Lease Agreement.

(f) In addition to the conditions described above for any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer pursuant to the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*"), or any subletting in whole or in part of the Facility, the following conditions, as applicable, shall also apply:

(i) any sublessee in whole of the Facility and any assignee or transferee of the IDA Lease Agreement shall in each case be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State,

(ii) in the case of any assignment or transfer, there shall be delivered to the Agency and the Trustee (y) a Favorable Opinion of Bond Counsel and (z) an Opinion of Counsel to the assignee or transferee of the IDA Lease Agreement to the effect that such Person has duly and validly assumed all obligations of the Company under the IDA Lease Agreement and that such assumption constitutes the valid and binding obligation of such Person enforceable against such Person in accordance with its terms,

(iii) in the case of any Sublease in whole of the Facility, there shall be delivered to the Agency and the Trustee (x) an Opinion of Counsel to the Company to the effect that the IDA Lease Agreement continues in full force and effect as the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, and (y) a Favorable Opinion of Bond Counsel,

(iv) any assignee, transferee or sublessee shall agree to use the Facility as a qualified "project" within the meaning of the Act,

(v) any assignment, transfer or sublease shall not violate any provision of the Basic Lease, the Port Authority Lease, the Company Sublease, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the New City/American Lease (if then effective), the IDA Lease Agreement, the Leasehold Mortgage or any other Security Document,

(vi) in the case of any sublease, such sublease shall in no way diminish or impair the Company's obligation to carry the insurance required under the IDA Lease Agreement and described herein"—Maintenance, Taxes and Insurance—*Insurance,*"

(vii) in the case of any assignment, transfer or sublease in whole or substantially in whole, there shall have been delivered to the Trustee written evidence from each Rating Agency by which the Bonds are then rated to the effect that such action will not result in the reduction or withdrawal of the then applicable rating(s) on the Bonds, and

(viii) at least ten Business Days prior to the execution of any proposed assignment, transfer or sublease, the Company shall furnish to the Agency a substantially final draft of same, and, after execution thereof, shall then furnish a copy of such executed document.

Any consent by the Agency to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Company, or the successors or assigns of the Company, to obtain from the Agency, to the extent required under the IDA Lease Agreement, consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency under such covenant by the Company set forth in the IDA Lease Agreement.

Notwithstanding any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement by operation of, and effected in accordance with the requirements of, the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*"), the assigning or transferring Company shall not be released from its obligations to make rental payments pursuant to the IDA Lease Agreement described herein under "—Issuance of Bonds and Additional Bonds, Lease of Facility and Rental Provisions—Rental Provisions" unless 100% of the Holders of Outstanding Bonds shall have consented to such release.

Benefit of and Enforcement by Trustee. The Agency and the Company agree that the IDA Lease Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Agency and the Company (except to the extent of any of the Agency's Reserved Rights that are stated in the Indenture to be enforceable only by the Agency) as set forth in the IDA Lease Agreement are declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in the Indenture on behalf of the Bondholders by the Trustee.

No Recourse under the IDA Lease Agreement or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the IDA Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installments, redemption premium, if any, or interest on, the Bonds or for any claim based thereon against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or complete. Reference is made to the Indenture for full and complete provisions.

Authorization and Issuance of Bonds

Authorized Amount of Bonds; Pledge Effected by the Master Indenture. The Bonds will be issued in multiple series as provided in the Indenture. No Bond of any series may be authenticated and delivered under the Indenture except in accordance with the terms of the Indenture. Except as provided in the Indenture, the total aggregate principal amount of Bonds of any series that may be authenticated and delivered under the Indenture is limited to $2.3 billion.

The proceeds of the Bonds deposited in the Project Fund and certain of the lease rentals, receipts and revenues payable by the Company under the IDA Lease Agreement, including moneys which are required to be set apart, transferred and pledged to the Bond Fund, to the Lease Payments Fund or to certain special funds (including the investments, if any, thereof) (subject to disbursements from such Funds in accordance with the provisions of the Indenture, and when so disbursed, such amounts shall automatically be released from the lien and security interest of the Indenture) are pledged by the Indenture for the payment of the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, price of, and interest on the Bonds. Amounts in the Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person.

Except as may otherwise be expressly provided in the Indenture, each series of Bonds shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, price of, and the interest thereon. Each series of Bonds issued under the Indenture shall be secured by the Guaranties and the obligations of the Company and AMR under their respective Guaranties will be secured by the Leasehold Mortgage; but as provided in Section 92, the Port Authority Consent and the Leasehold Mortgage shall not attach, and the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date. Each series of Bonds issued under the Indenture shall be special obligations of the Agency, secured and payable (except to the extent payable out of proceeds from the sale of such series of Bonds or the income from the temporary investments thereof) by the Agency solely out of the revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture and from any amounts otherwise available under the Indenture for the payment of such Bonds, from amounts payable under the Guaranties, from amounts payable under the Equipment Security Agreement and from amounts payable to the Trustee as Leasehold Mortgagee under the Leasehold Mortgage. The Bonds shall be additionally secured by a pledge and assignment of the Agency's right, title and interest in and to the IDA

Lease Agreement (excluding the Agency's Reserved Rights) and, except for the Equipment Security Agreement, shall not be secured by any other lien on or security interest or other possessory interest in the Facility or by any leasehold interest of the Port Authority, the Company or the Agency or any fee or leasehold interest of the City in the Facility. In the event the Company shall fail to make any payment under the IDA Lease Agreement or shall otherwise default under the IDA Lease Agreement, and, as a result thereof, the principal of the Bonds is declared or becomes due and payable, none of the Agency, the Trustee (except as mortgagee under the Leasehold Mortgage and except as secured party under the Equipment Security Agreement), or any Holder of any of the Bonds shall have any rights or remedies with respect to the Facility or leasehold interest of the Port Authority, the Agency or the Company or any fee or leasehold interest of the City but shall only have the rights under the IDA Lease Agreement (exclusive of Possessory Rights and Remedies and subject to the provisions of the Indenture described below under "—Events of Default; Remedies—*Limitation of Remedies*"), including the right to enforce against the Company the obligation of the Company to pay lease rental payments sufficient to enable the Agency to pay the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, purchase price of, and interest on the Bonds and the right under the Indenture to realize upon any of the Funds. Except as set forth in Section 92 and any corresponding provision of the New City/American Lease, neither the Port Authority nor the City shall have any obligation whatsoever with respect to the Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds.

The Bonds shall never constitute a debt of the State nor the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Any payments paid to the Trustee by the Company are deemed paid by the Agency and any payments made to the Company by the Trustee are deemed paid by the Trustee to the Agency and by the Agency to the Company.

Supplemental Indentures. Each series of Bonds issued under the Indenture shall be issued pursuant to an applicable Series Supplemental Indenture authorizing the issuance of such series of Bonds. Each Series Supplemental Indenture shall specify the following:

(1) The authorized principal amount of such series of Bonds.

(2) The purpose or purposes for which such series of Bonds is being issued, which shall be limited to the purpose of payment or reimbursement of Project Costs.

(3) The dated date or dates, the maturity date or dates and principal amounts of each maturity of the Bonds of such series, the amount and date of each Sinking Fund Installment, if any, and the Record Date or Record Dates of the Bonds of such series.

(4) The interest rate or rates, if any, of the Bonds of such series or the manner of determining such rate or rates, the date from which interest on the Bonds of such series shall accrue, the first date on which interest on the Bonds of such series are payable and the date or dates on which the interest rate on Bonds bearing a variable rate of interest are adjusted and the date or dates on which interest on such Bonds are paid, or the manner of determining the same and the manner in which interest is to be paid on such Bonds.

(5) The provisions regarding tender for purchase or redemption thereof and payment of the purchase price or redemption price thereof, if any, *provided* that each Series Supplemental Indenture shall contain the following redemption provisions:

(i) in the event that the Company Sublease shall have terminated, the Bonds shall be subject to mandatory redemption in whole prior to maturity at a redemption price equal to 100% of the unpaid principal amount of the Bonds, together with accrued interest to the date of redemption, and without premium;

(ii) in the event that any portion of the Leased Facilities is released from the Port Authority Lease or the New City/American Lease as the case may be, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Bonds shall be subject to mandatory redemption at par in a principal amount (rounded down to the nearest authorized denomination) equal to the Release Price; and

(iii) the Bonds shall be subject to extraordinary mandatory redemption prior to maturity at any time at a redemption price of 100% of the unpaid principal amount thereof plus accrued interest thereon, if any, to the redemption date to the extent and as soon as practical following the Trustee's receipt of any moneys received by the Trustee as a result of the exercise by the Port Authority of its purchase rights under Section 92(v) of the Port Authority Lease or the exercise by the City of any comparable purchase rights contained in the New City/American Lease.

(6) The denomination or denominations of and the manner of numbering and lettering the Bonds of such series.

(7) The redemption price or redemption prices, if any, and, subject to the article of the Master Indenture entitled "Redemption of Bonds," the redemption terms, if any, for the Bonds of such series.

(8) Provisions for the sale of the Bonds of such series and for the delivery thereof.

(9) The form of the Bonds of such series and the form of the Trustee's certificate of authentication thereon, and whether any Bonds of such series are to be available only through the Book-Entry-Only System and the depository therefor; *provided,* that, each Bond shall contain the following provision:

> "Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the Port Authority Lease and the Port Authority Consent and upon the effectiveness thereof, the New City/American Lease and, except with respect to the City Attornment Agreement or except upon the effectiveness of the New City/American Lease, the termination or expiration of the Basic Lease or the Port Authority Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; *provided, however,* that no such termination will relieve the Company from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement, or release the Company or AMR from its guaranty obligations under the Guaranties. Each Holder of this Bond (by purchase or transfer and acceptance hereof) acknowledges that, the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder, nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the Port Authority Lease (including, but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Financing Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Financing Documents or the

Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the Port Authority Lease, Section 92 of the Port Authority Lease shall govern. Copies of the Indenture, the Basic Lease, the Port Authority Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Port Authority Consent are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Company, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the Port Authority Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee."

(10) Directions for the application of the proceeds of the Bonds of such series.

(11) The maximum maturity date for the Bonds which shall not exceed December 1, 2036.

(12) Any other provisions deemed advisable by an Authorized Representative of the Agency, not in conflict with the provisions of the Indenture or of any Series Supplemental Indenture.

All Bonds of a series of like maturity shall be identical in all respects, except as to denominations, numbers and letters, and except that Bonds of a series of like maturity may be Bonds which bear a variable rate of interest and Bonds which bear interest at a fixed rate.

Custody and Investment of Funds

Creation of Funds and Accounts. The Agency hereby establishes and creates the following special trust Funds (and authorizes the creation of the following Accounts comprising such Funds):

(1) Project Fund

(a) Construction Account
(b) Capitalized Interest Account

(2) Bond Fund

(a) Principal Account
(b) Interest Account
(c) Redemption Account
(d) Sinking Fund Installment Account

(3) Rebate Fund

(4) Lease Payments Fund

(5) Debt Service Reserve Fund

(6) Mortgage Reserve Fund

(a) Foreclosure Payment Account

All of the Funds and Accounts created under the Indenture shall be held by the Trustee, or in one or more depositories in trust for the Trustee. All moneys and investments deposited with or in trust for the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for the purposes of the Indenture.

Project Fund. As soon as practicable after the delivery of a series of Bonds, the Trustee shall deposit in the appropriate Account in the Project Fund the amount required to be deposited therein pursuant to the applicable Series Supplemental Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided in the Indenture. The Trustee shall apply the amounts in each Construction Account of the Project Fund to the payment of Project Costs relating to the Project, or reimbursement of Project Costs relating to the Project to the extent the same have been paid by or on behalf of the Company (as agent of the Agency) or the Agency. The Trustee shall apply any amounts held in each applicable Capitalized Interest Account in accordance with the Indenture.

The Trustee is authorized by the Indenture to disburse from each Construction Account (as designated by the Company pursuant to a requisition submitted under the Indenture) of the Project Fund the amount required for the payment of Project Costs relating to the Project and is directed to issue its checks, or, at the request of the Company (as agent of the Agency) or the Agency, to wire funds, for each disbursement from each Construction Account of the Project Fund, upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Company (as agent of the Agency). The Trustee will not be required to issue such disbursement sooner than five Business Days after the submission of such requisition. Such requisition shall be substantially as set forth in the Form of Requisition attached to the Indenture as Appendix B. Each such requisition shall be accompanied by bills or invoices (stamped "paid" if reimbursement is to be made to the Company) supporting Project Costs relating to the Project to which such requisition pertains. The Trustee shall be entitled to conclusively rely on such requisition. The Trustee shall keep and maintain adequate records pertaining to each Construction Account of the Project Fund and all disbursements therefrom.

The Trustee shall on written request furnish to the Agency and the Company a written statement of disbursements from the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills or invoices submitted to the Trustee for such disbursement.

The completion of the Project shall be evidenced as set forth in the IDA Lease Agreement. Upon such completion, the balance in each Construction Account of the Project Fund in excess of the amount, if any, stated in the completion certificate referred to in the IDA Lease Agreement for the payment of any remaining part of the Project Costs shall, at the written direction of the Company, (i) be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption at the earliest date permissible under the Indenture *provided* that, prior to such application, a Favorable Opinion of Bond Counsel shall be received and (ii) be invested at a yield not in excess of the applicable Bond Yield (as defined in the applicable Tax Certificate); *provided, however,* the Company, on behalf of the Agency, may apply such balance to any lawful purpose under the Act in connection with the Facility, provided a Favorable Opinion of Bond Counsel is received by the Trustee and the Agency.

In the event the Company shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the IDA Lease Agreement or the Indenture, the balance in each of the Construction Accounts of the Project Fund (in excess of any amount that the Trustee is directed to transfer to the Rebate Fund pursuant to each applicable Tax Certificate and the Indenture) shall be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default under the Indenture, the balance in the Project Fund shall be deposited ratably and equally into each of the Interest Accounts and Principal Accounts held under the Bond Fund and shall be applied as provided in the Indenture.

Proceeds of Bonds deposited in any Capitalized Interest Account shall be applied as follows:

(1) prior to the completion of the Project, on each Interest Payment Date amounts in each applicable Capitalized Interest Account shall first be deposited in the Lease Payments Fund to the extent moneys in such fund are insufficient to meet principal and/or interest payments then due and owing under the Indenture with respect to an applicable series of Bonds and second, be drawn by the Trustee at the direction of the Company (as agent for the Agency) for the payment of Project Costs, if any;

(2) on or after the Interest Payment Date next succeeding the date of completion of the Project, the moneys remaining in any Capitalized Interest Account shall at the direction of the Company be applied pursuant to the relevant provisions of the Indenture; and

(3) At any time prior to the completion of the Project, upon the written request of the Company and designation in writing of a certain amount by the Company, the

Trustee will transfer such amounts from any Capitalized Interest Account to one or more Construction Accounts as specified by the Company and apply such amounts as provided in the relevant sections of the Indenture.

Lease Payments Fund. The Trustee shall deposit in the Lease Payments Fund the amounts so stated to be deposited therein pursuant to the IDA Lease Agreement, the Indenture or the applicable Series Supplemental Indenture.

Except as provided in the Indenture, on or before any Interest Payment Date relating to a series of Bonds the Trustee shall transfer to the applicable Principal Account, Interest Account, Redemption Account, and/or Sinking Fund Installment Account from the Lease Payments Fund an amount sufficient so that the payments required to be made from the Bond Fund pursuant to the Indenture on such Interest Payment Date may be made.

If, on any Interest Payment Date relating to a series of Bonds, any principal payment date or redemption date, as the case may be, the amount on deposit in the Lease Payments Fund or the Bond Fund is insufficient to make all payments with respect to the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, and interest on such series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Company and the Agency. Promptly upon receipt of such notice, the Company shall, as provided in the IDA Lease Agreement, or the applicable IDA Lease Amendment, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall deposit them in the Lease Payments Fund.

If, on any Purchase Date, the amount on deposit in the applicable Bond Purchase Fund relating to a series of Bonds is insufficient to make all payments with respect to purchase price, if any, on such series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Company and the Agency. Promptly upon receipt of such notice, the Company shall, as provided in the IDA Lease Agreement, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall deposit them in the applicable Lease Payments Account established in the applicable Bond Purchase Fund.

Payments into Bond Fund. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Excess amounts in any Construction Account held in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the applicable Tax Certificate and the Indenture) in the applicable Redemption Account of the Bond Fund as described herein under the fourth paragraph and the first sentence of the fifth paragraph of "*—Project Fund*" above, which shall be kept segregated from any other moneys within such Account.

(b) Amounts transferred from the Lease Payments Fund to the Bond Fund as described herein under "*—Lease Payments Fund*" above, which shall be deposited *first* to the applicable Interest Account, in the amount required to make the payments described in paragraph (a) herein under "*—Application of Bond Fund*" below, *second* to the applicable Sinking Fund Installment Account, in the amount required to make the payments described in paragraph (c) herein under "*—Application of Bond Fund*" below, *third* to the applicable Principal Account, in the amount required to make the payments described in paragraph (b) herein under "*—Application of Bond Fund*" below, and *fourth* to the applicable Redemption Account, in the amount required to make the payments described in paragraph (d) herein under "*—Application of Bond Fund*" below. Advance rental payments received by the Trustee for deposit into the Lease Payments Fund pursuant to the IDA Lease Agreement shall be deposited in the applicable Redemption Account.

(c) The excess amounts referred to in the third sentence of paragraph (d) herein under "*—Application of Bond Fund*" below, which shall be credited to the applicable Interest Account of the Bond Fund.

(d) Any amounts transferred from an applicable Redemption Account as described in paragraph (h) herein under "*—Application of Bond Fund*" below, which shall be deposited to the applicable Interest Account, the applicable Principal Account and the applicable Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to the payment of the principal of and interest on the applicable series of Bonds, as the case may be.

(e) All other receipts when and if required by the IDA Lease Agreement, by the Indenture, or by the Leasehold Mortgage (excluding any payment required to be made to (i) the Port Authority under the Port Authority Lease or (ii) the City under the New City/American Lease) pursuant to the Leasehold Mortgagee's exercise of remedies thereunder, or by the Equipment Security Agreement, the Guaranties or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as otherwise provided in the Indenture) to the applicable Redemption Account of the Bond Fund.

Application of Bond Fund. (a) The Trustee shall, on an Interest Payment Date with respect to a series of Bonds, pay or cause to be paid to the respective Paying Agents therefor out of the applicable Interest Account in the Bond Fund the interest due on such series of Bonds and further pay out of the applicable Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption (including any mandatory sinking fund redemption) of such series of Bonds.

(b) The Trustee shall on each principal payment date with respect to a series of Bonds pay or cause to be paid to the respective Paying Agents therefor out of the applicable Principal Account of the Bond Fund, the principal amount, if any, due on such series of Bonds (other than such as shall be due by mandatory sinking fund redemption), upon the presentation and surrender (if applicable) of the requisite Bonds of such series.

(c) There shall be paid from the applicable Sinking Fund Installment Account of the Bond Fund to the respective Paying Agents on each sinking fund payment date for a series of Bonds in immediately available funds the amounts required for such Sinking Fund Installment due and payable with respect to such series of Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the applicable Interest Account of the Bond Fund), all as may be determined by a Series Supplemental Indenture. Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds of such series for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Applicable Sinking Fund Account of the Bond Fund.

(d) Amounts in the applicable Redemption Account of the Bond Fund established with respect to a series of Bonds shall be applied, at the written direction of the Company, as promptly as practicable, to the redemption of such series of Bonds at prices not exceeding the redemption price thereof applicable on the earliest date upon which such Bonds are next subject to redemption plus in each case accrued interest to the date of redemption. Any amount in the applicable Redemption Account not so applied to the redemption of such series of Bonds by 30 days prior to the next date on which the Bonds are so redeemable shall be applied, subject to the provisions described in paragraph (a) above of this subheading, to the redemption of such series of Bonds on such redemption date; *provided* that if such amount aggregates less than $100,000, such amount need not be then applied to such redemption. Any amounts deposited in such applicable Redemption Account and not applied within 12 months of their date of deposit to the redemption of, or as described in paragraph (e) below of this subheading, the purchase of such series of Bonds (except if held in accordance with the Indenture) shall be transferred to the applicable Interest Account. Upon the redemption of any series of Bonds, an amount equal to the principal of such Bonds so redeemed or an amount of Bonds purchased by the Company and surrendered for cancellation as provided in the Indenture shall, in the order designated by the Company, be credited against the next ensuing and future Sinking Fund Installments, if any, for such series of Bonds until the full principal amount of such Bonds so redeemed or purchased shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Bonds of a series to be redeemed shall be selected by the Trustee (at the written direction of the Company) in the manner provided in the Indenture. Amounts in any applicable Redemption Account to be applied to the redemption of a series of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the redemption price of such series of Bonds being redeemed plus interest on such Bonds accrued to the redemption date.

(e) In lieu of the Bonds of a series being redeemed through a mandatory sinking fund redemption, the Company, on behalf of the Agency, may negotiate or arrange for the purchase of Bonds of such series by the Trustee on behalf of the Agency in such manner (through brokers or otherwise, and with or without receiving tenders) as it shall in its discretion determine. The

Company, on behalf of the Agency, shall cause such Bonds to be delivered to the Trustee for cancellation. The Trustee, upon presentation by the Company to the Trustee of Bonds of such series to be purchased accompanied by a written request of an Authorized Representative of the Agency (given at the written direction of the Company) to the Trustee requesting payment therefor, shall provide monies for payment of the purchase price for any such Bonds from the moneys deposited in the applicable Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the applicable Interest Account of the Bond Fund. Bonds so purchased and delivered shall be canceled by the Trustee.

(f) The Agency shall receive a credit in respect of sinking fund installments for any Bonds of a series which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Agency or the Company to the Trustee on or before the thirtieth day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the applicable Sinking Fund Installment Account) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Bond of a series so delivered, canceled or previously purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to such series of Bonds, and the principal amount of such series of Bonds to be redeemed by operation of the applicable Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of such series of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

(g) The Company shall on or before the thirtieth day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Company indicating whether or not and to what extent the provisions described herein under "*—Application of Bond Fund*" are to be availed of with respect to such Sinking Fund Installment payment relating to a series of Bonds, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment relating to such series of Bonds and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment relating to such series of Bonds will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

(h) Moneys in the applicable Redemption Account of the Bond Fund established with respect to a series of Bonds which are not set aside or deposited for the redemption or purchase of such series of Bonds shall be transferred by the Trustee to the applicable Interest Account, to the applicable Principal Account or to the applicable Sinking Fund Installment Account of the Bond Fund.

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, the Company or any Bondholder or any other Person.

Deposits into the Rebate Fund shall be made pursuant to the applicable Tax Certificate, the terms of which are incorporated by reference in the Indenture, and amounts on deposit in the Rebate Fund that are required to be paid to the United States Department of the Treasury pursuant to the Code shall be paid at the times and in the amounts set forth in or determined in accordance with the applicable Tax Certificate.

Investment of Funds and Accounts. Amounts in the Rebate Fund, Lease Payments Fund, Bond Fund, Project Fund, and Mortgage Reserve Fund may, if and only to the extent then permitted by law, be invested only in Qualified Investments (except any amounts held in any account established within the Bond Fund pursuant to the Indenture shall be invested solely in Government Obligations). Except for amounts held in the Mortgage Reserve Fund, any investment authorized in the Indenture and described herein is subject to the condition that no portion of the proceeds derived from the sale of any series of Bonds shall be used, directly or indirectly, in such manner as to cause any such Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the specific written request of an Authorized Representative of the Company. Any investment under the Indenture shall be made in accordance with the applicable Tax Certificate, and the Company shall so certify to the Trustee with each such investment direction as described below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund or Account in which such investment is held. Net income or gain received and collected from such investments shall be credited and losses charged to the applicable Fund or Account for which such investment shall have been made; *provided, however,* that such net income or gain shall be credited to (i) the applicable Interest Account of the Bond Fund with respect to the investment of amounts held in the applicable Interest Account, Principal Account, Redemption Account or Sinking Fund Installment Account of the Bond Fund and (ii) the applicable Construction Account of the Project Fund with respect to the investment of amounts held in such Construction Account until completion of the Project and the applicable Redemption Account of the Bond Fund with respect to investments in such Construction Account of the Project Fund subsequent to completion of the Project.

At the written request of the Company and at least ten days prior to each Interest Payment Date, the Trustee shall notify the Company of the amount of such net investment income or gain received and collected subsequent to the last such rental payment under the IDA Lease Agreement and the amount then available in the various Accounts of the Bond Fund and any amounts then available in the Lease Payments Fund.

Upon the written direction of an Authorized Representative of the Company, the Trustee shall sell at the best price obtainable by it, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the Indenture. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the Company.

Neither the Trustee nor the Agency shall be liable for any loss, fee, tax or other charge arising from, or any depreciation in the value of, any obligations in which moneys of the Funds and Accounts shall be invested or in connection with any liquidation of an investment under the Indenture. The investments authorized by the Indenture and described herein shall at all times be subject to the provisions of applicable law, as amended from time to time. Qualified Investments shall be valued at the lesser of cost or market price, inclusive of accrued interest.

Mortgage Reserve Fund. There shall be established under the Indenture a separate Mortgage Reserve Fund within which there shall be created a Foreclosure Payment Account. On the date the Company delivers the executed Leasehold Mortgage to the Trustee pursuant to the provisions of the IDA Lease Agreement described herein in the penultimate paragraph under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*," the Trustee shall deposit to the credit of the Foreclosure Payment Account, if any, from amounts provided by the Company an amount equal to the Foreclosure Payment Account Requirement.

In lieu of or in substitution for Bond proceeds or moneys required to be deposited into the Mortgage Reserve Fund the Company may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for all or any portion of the Foreclosure Payment Account Requirement for the benefit of the Holders of the Bonds; *provided* (i) that any such surety bond or insurance policy shall be issued by an insurance company or association reasonably consented to by the Agency and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if the Bonds of such series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Bonds of such series are not rated by Moody's and S&P, by whichever of said rating services that then rates such Bonds.

Moneys, or any Reserve Fund Facility held in the Foreclosure Payment Account, shall be applied or drawn upon by the Trustee either (i) to pay the Port Authority any amounts due under Section 92 of the Lease (or any similar amounts to the City under the New City/American Lease)

or (ii) subsequent to a Notice of Termination, a Bonds Default or a Bankruptcy Event (as such terms are defined in Section 92 and herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Automatic Termination*" or any similar provision of the New City/American Lease), in the event that the Trustee determines that it is not in the best interest of the Owners of the Bonds to make the payments described in (i) above, or if the Trustee is so directed by Bondholders in accordance with the Indenture, amounts then held in the Foreclosure Payment Account may be used to pay debt service on the Bonds.

The Trustee shall be obligated to value the Foreclosure Payment Account on January 1 of each calendar year. If upon a valuation, the total amount of the moneys and the principal amount of investments held for the credit of the Foreclosure Payment Account is less than the Foreclosure Payment Account Requirement, the Trustee shall promptly notify the Agency and the Company of such deficiency, and the Agency shall cause the Company to deliver to the Trustee moneys or investments the value of which is sufficient to increase the amount on deposit in such Foreclosure Payment Account to an amount equal to the Foreclosure Payment Account Requirement.

Particular Covenants

Agency's Obligations Not to Create a Pecuniary Liability. Each and every covenant made in the Indenture, including all such covenants described in this paragraph and the two succeeding paragraphs, is predicated upon the condition that any obligation for the payment of money incurred by the Agency shall not create a debt of the State nor the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds and any other obligation for the payment of money incurred by the Agency under the Indenture shall not be payable out of any funds of the Agency other than those pledged therefor but shall be payable by the Agency solely from the amounts or Funds available to the Trustee, the amounts payable by the Company under the IDA Lease Agreement pledged to the payment thereof in the manner and to the extent in the Indenture, amounts payable to the Trustee as Secured Party under the Equipment Security Agreement and amounts payable to the Leasehold Mortgagee under the Leasehold Mortgage, and nothing in the Bonds, in the IDA Lease Agreement, in the Indenture, in the Equipment Security Agreement or in any other Security Documents shall be considered as pledging any other funds or assets of the Agency.

Payment of Principal and Interest. The Agency covenants that it will, from the sources contemplated under the Indenture, promptly pay or cause to be paid the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, purchase price of, and interest on the Bonds, together with interest accrued to but not including the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal, redemption price, if applicable, Sinking Fund Installment, if applicable, purchase price of, or interest on the Bonds or for any claim based thereon or under

the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the redemption price, if any, the Sinking Fund Installment, if any, or the purchase price thereof or interest thereon, shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or any other Security Documents to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the lease rentals, revenues and receipts, rental income and other moneys held or derived from or in connection with the Facility and payable by the Company under the IDA Lease Agreement as amended by any IDA Lease Amendment and pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

Performance of Covenants; Authority. The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and thereunder and in all proceedings pertaining to the Indenture or thereto. The Agency covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to lease the Facility pursuant to the IDA Lease Agreement, to assign the IDA Lease Agreement, to pledge the lease rentals, revenues and receipts pledged under the Indenture in the manner and to the extent set forth therein; that all action on its part for the issuance of the Bonds of a series and the execution and delivery of the Master Indenture have been duly and effectively taken; and that each series of Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Agency according to the import thereof.

Events of Default; Remedies of Bondholders

Events of Default; Acceleration of Due Date. Each of the following events is defined as and shall constitute an "Event of Default" under the Indenture:

(1) Failure in the payment of the interest on any Bond when the same shall become due and payable and if no Credit Facility is in effect with respect to such Bond, the continuation of such failure for five Business Days;

(2) Failure in the payment of the principal or redemption price, if any, of, or Sinking Fund Installment for, any Bond, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon and the continuation of such failure for five Business Days;

(3) Failure to duly and punctually pay the purchase price of any Bond tendered or deemed tendered for purchase pursuant to a Series Supplemental Indenture;

(4) Failure of the Agency to observe or perform any covenant, condition or agreement in any Bonds or under the Indenture on its part to be performed (except as

described in subparagraphs (1), (2) and (3) immediately above) and (A) continuance of such failure for a period of 60 days after receipt by the Agency and the Company of written notice specifying the nature of such default from the Trustee or the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said 60 days, the Agency or the Company fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(5) The occurrence of an "Event of Default" under the IDA Lease Agreement or the occurrence of an event of default under the Company Guaranty, the AMR Guaranty or the Leasehold Mortgage;

(6) The occurrence of an Act of Bankruptcy; provided, that with respect to the filing of an involuntary petition in bankruptcy or other commencement of a bankruptcy or similar proceeding against the Company or AMR, such petition or proceeding shall remain undismissed or unstayed for 90 days;

(7) (A) The date of termination of the Port Authority Lease as set forth in the notice from the Port Authority to the Trustee pursuant to the Port Authority Lease to the effect that the Port Authority will terminate the Port Authority Lease pursuant to the provisions thereof or (B) the date of termination of the New City/American Lease as set forth in a notice from the City to the Trustee in accordance with the New City/American Lease to the effect that the City will terminate the New City/American Lease pursuant to the provisions thereof; *provided, however,* such termination of the New City/American Lease shall not result in an Event of Default under the Indenture if the Company is reinstated as or becomes tenant as described in the Port Authority Lease; or

(8) Receipt by the Leasehold Mortgagee of one or more Information Statements under the Port Authority Lease showing that said total unpaid amount exceeds $9,877,000 and failure of the Company to pay said amount in accordance with the provisions of the Port Authority Lease within 20 days after notice of the same from the Leasehold Mortgagee.

Upon the happening and continuance of an Event of Default described in subparagraphs (4), (5) or (8) above, the Trustee may, or at the direction of the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Agency, the Company and AMR) the Trustee shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of such Bonds contained to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and the principal installments of rent payable under the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall also become and be immediately due and payable, and to the extent any Bonds in default are secured by a Credit Facility the Trustee shall promptly

draw on any Credit Facility then in effect with respect to such Bonds to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, such Bonds.

Upon the happening of any Event of Default described in subparagraphs (1), (2), (3), or (7) above, the Trustee shall immediately declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Indenture or in any of such Bonds to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and principal installments of rent payable under the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall become immediately due and payable, and to the extent any Bonds in default are secured by a Credit Facility the Trustee shall promptly draw on any Credit Facility then in effect with respect to such Bonds to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, such Bonds. Upon the occurrence and continuance of an Event of Default described in subparagraph (7) above, the Agency or the Trustee shall terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein granted or vested in the Company shall cease and terminate.

If there shall occur an Event of Default described in subparagraph (6) above, the unpaid principal of all the Bonds Outstanding and the interest accrued thereon (and all installments of rent under the IDA Lease Agreement) shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

The right of the Trustee or of the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid redemption price of the Bonds or principal portions thereof to be redeemed have been paid by or for the account of the Agency, and all other Events of Default with respect to such Bonds have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee shall either be paid by or for the account of the Agency or provision satisfactory to the Trustee shall be made for such payment, and all defaults with respect to the Bonds have been otherwise remedied as described in this heading, then in every such case any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon; *provided, however,* that if the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding shall have directed such declaration of acceleration, the Trustee shall not annul such declaration and its consequences without the prior consent of the Holders of greater than 50% in aggregate principal amount of the Bonds Outstanding.

Pursuant to the IDA Lease Agreement the Agency has granted to the Company full authority for the account of the Agency to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Company to constitute a default under the Indenture, in the name and stead of the Agency with full power to do any and all things and acts to the same extent that the Agency could do and perform any such things and acts with

power of substitution. The Trustee agrees to accept such performance by the Company as performance by the Agency.

Enforcement of Remedies. Upon the occurrence and continuance of any Event of Default under the Indenture, *provided* that the Trustee has delivered the notice required thereby, then and in every case the Trustee may proceed, and upon the written request of the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Act, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranties, the Equipment Security Agreement and under any other of the Security Documents forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other of the Security Documents or in aid of the execution of any power granted in, but solely as provided in, the Indenture, the Leasehold Mortgage, the Company Guaranty, the AMR Guaranty, the Equipment Security Agreement or in any other of the Security Documents or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other of the Security Documents. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

In the enforcement of any right or remedy with respect to the Bonds under the Indenture, the Leasehold Mortgage, the Company Guaranty, the AMR Guaranty, the Equipment Security Agreement or any other of the Security Documents, the Bonds or under the Act, the Trustee shall be entitled to, and shall sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Agency or from the Company relating to interest, principal, purchase price, Sinking Fund Installments, redemption price, or otherwise, under any of the provisions of the Indenture, or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, the Leasehold Mortgage, the Equipment Security Agreement, the Company Guaranty, the AMR Guaranty or under any such other of the Security Documents and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Agency, but solely as provided in the Indenture, the Leasehold Mortgage, the Company Guaranty, the AMR Guaranty, the Equipment Security Agreement and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Company, AMR, any of the other obligors under any other of the Security Documents, the Agency or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with security and indemnity satisfactory to it, shall institute and maintain such suits and proceedings with respect to the Bonds as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture, the Company Guaranty, the AMR Guaranty, the Equipment Security Agreement, the Leasehold Mortgage or under any other Security Documents by any acts which may be unlawful or in violation of the Indenture, the Equipment Security Agreement, the Company Guaranty, the AMR Guaranty, the Leasehold Mortgage or under any other of the Security Documents or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; *provided* that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture.

No action taken pursuant to the provisions of the Indenture and described above shall be inconsistent or contrary to the terms and provisions of the Indenture described herein under "*—Limitation of Remedies*" below.

Application of Revenues and Other Moneys After Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture, the Equipment Security Agreement, the Company Guaranty, the AMR Guaranty or the Leasehold Mortgage or under any other Security Documents shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the Indenture, as follows:

Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First - To the payment to the persons entitled thereto of all installments of interest then due on such Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid principal or redemption price, if any, of any of the Bonds which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the Bonds or principal installments due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon such Bonds and, if applicable, to the redemption price of the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If the principal of all the Bonds and interest thereon shall have been declared due and payable, and if such declaration shall thereafter shall have been rescinded and annulled, then, subject to the provisions of the Indenture described in the immediately preceding paragraph which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of the Indenture described in the second preceding paragraph.

Notwithstanding the foregoing provisions, amounts drawn under any Credit Facility held with respect to a particular series of Bonds shall be applied solely to the payments of amounts due on such series of Bonds secured by such Credit Facility.

Whenever moneys are to be applied pursuant to the provisions of the Indenture and described under this heading, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; *provided, however,* that if the principal or redemption price of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable as the result of an Event of Default, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Majority Bondowners Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings: *provided,* that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and *provided, further,* if a series of Bonds are secured by a Credit Facility, for so long as such applicable Credit Facility is outstanding and no default specified in the Indenture has occurred and is continuing with respect to such Bonds, the applicable Credit Facility Provider shall have the right to direct

all proceedings on behalf of the holders of the Bonds of such series secured thereby and to vote the Bonds of such series for all purposes under the Indenture.

Individual Bondowner Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or any other Security Documents with respect to such Bond or the execution of any trust under the Indenture or for any remedy under the Indenture or any other Security Documents, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered the Trustee reasonable opportunity either to exercise the powers granted in the Indenture or such other Security Documents or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby (other than costs, expenses and liabilities relate to acceleration), and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, purchase price of, and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the principal or redemption price, if applicable, Sinking Fund Installment, if applicable, purchase price of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in said Bonds.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Notice of Default. The Trustee shall promptly mail to the Agency, to the registered Holders of Bonds, to the Company and to AMR, by first class mail, postage prepaid, written notice of the occurrence of any (i) Event of Default with respect to the Bonds and (ii) the receipt by the Trustee as Leasehold Mortgagee of a Notice of Termination pursuant to and as defined in the Port Authority Lease as amended or any similar notice of termination of or default under the New City/American Lease or the Agreement Towards Entering Into a Lease. The Trustee shall

not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice described under this subheading.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration upon the written request of the Holders of greater than 50% in aggregate principal amount of all the Bonds then Outstanding; *provided, however,* that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal, purchase price or redemption price of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal, purchase price and redemption price with respect to such Bonds when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Limitation of Remedies. The Agency and the Trustee represent to and agree with the Port Authority that (a) the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement and (b) neither the Agency, nor the Bondholders, nor the Trustee (except as Leasehold Mortgagee under or pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the Port Authority Lease (including but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Company, the Agency and the Trustee have represented to and agree with the Port Authority that neither they nor the Bondholders shall have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies under or pursuant to the Leasehold Mortgage or Section 92).

Leasehold Mortgage and Section 92. In addition to and without limiting the foregoing, the Trustee and each Bondholder acknowledges and agrees under the Indenture that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92, Section 92 shall govern.

Trustee and Paying Agents

The Trustee, in its capacity as the Trustee, the Paying Agent or the Bond Registrar, shall be under no obligation to institute any suit, or to take any remedial action under the Indenture (other than accelerating the Bonds when required by the Indenture), or under any other Security Documents or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Indenture or in the enforcement of any rights and powers under the Indenture, or under any other Security Documents, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or negligence; *provided, however,* that the Trustee shall nevertheless be obligated to make payments (from the sources specified in the Indenture) on the Bonds when due as provided in the Indenture or in a Series Supplemental Indenture, all at the times and in the manner specified therein.

Discharge of Indenture

Defeasance. Bonds of a series will be deemed paid for all purposes of the Indenture when (x) the interest rate or interest rates in effect with respect to such series of Bonds cannot by their terms and under the applicable Series Supplemental Indenture be adjusted prior to the date on which such series of Bonds are to be redeemed or their maturity date, if earlier, and such series of Bonds are not subject to optional tender for purchase prior to the date on which such Bonds are to be redeemed or their maturity date, if earlier, (y) payment of the principal of and the maximum amount of interest that may become due on such series of Bonds to the due date of such principal and interest, including all regularly scheduled interest payments (whether to maturity, upon redemption, acceleration or otherwise) either (i) has been made in accordance with the terms of such series of Bonds or (ii) has been provided for by depositing with the Trustee in an account held in the Bond Fund by the Trustee (1) moneys sufficient to make such payment and/or (2) noncallable Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment without regard to the reinvestment thereof; and (z) all compensation and expenses of the Trustee (as well as the fees and expenses of its counsel) pertaining to the Bonds of such series have been paid or provided to the satisfaction of the Trustee. When a Bond of a series is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture except for payment from moneys or Government Obligations under clause (y)(ii) above and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in the Indenture.

Notwithstanding the foregoing, no deposit under clause (y)(ii) above shall be deemed a payment of a Bond of a series until (A) notice of redemption of such Bond is given in accordance with the Indenture or in accordance with the applicable Series Supplemental Indenture or, if the Bond is not to be redeemed or paid within the next 60 days, until the Company has given the Trustee, in form satisfactory to the Trustee, (i) irrevocable instructions to notify, as soon as practicable, the holder of the Bond of such series, that the deposit required by clause (y)(ii) above has been made with the Trustee and that the Bond of such series is deemed to be paid under the Indenture and stating the maturity or redemption date upon which moneys are to be

available for the payment of the principal of the Bond of such series, and (ii) in the event the amounts deposited pursuant to (y)(ii) above are to be invested in Government Obligations, a report or opinion addressed to the Trustee of an independent certified public accountant or firm of independent certified public accountants satisfactory to the Trustee to the effect that such deposit is an amount sufficient to effect such payment; or (B) the maturity of the Bond of such series.

When all Outstanding Bonds are deemed paid as provided in the Indenture, and all fees and expenses and other amounts due and payable in respect thereof to the Trustee and the Agency under the Indenture and the IDA Lease Agreement and any other amounts required to be paid to the United States government in accordance with each applicable Tax Certificate or pursuant to the Indenture, shall be paid in full, then, subject to the paragraph below, the lien of the Leasehold Mortgage, the lien of the Equipment Security Agreement, the obligations of the Company under the Company Guaranty and of AMR under the AMR Guaranty, the pledge under the Indenture of any lease rentals, revenues or receipts payable by, or any guaranteed obligation of, the Company under the IDA Lease Agreement, and the estate and rights granted under the Indenture and all covenants, agreements and other obligations of the Agency to the Holders of all of the Bonds under the Indenture in respect of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided in the Indenture and described under this heading. At the time of such cessation, termination, discharge and satisfaction, in respect of all of the Bonds, (1) the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Company all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, (2) the Trustee and the Paying Agents shall pay over or deliver to the Agency for payment to the Company or on its order, as a rebate of rent, all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal of, purchase price, redemption price, and Sinking Fund Installments, if any, of or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the United States government in accordance with any Tax Certificate or the Indenture and (3) the Trustee shall return each Guaranty to the respective Guarantor.

Prior to any defeasance of a series of Bonds becoming effective as described above, there shall have been delivered to the Agency and the Trustee an opinion of Bond Counsel, addressed to the Agency and the Trustee, to the effect that (i) interest on any Tax-Exempt Bonds of such series being discharged by such defeasance will not become includable in gross income for federal income tax purposes by reason of such defeasance and (ii) the Bonds of such series have been paid within the meaning and with the effect expressed in the Indenture.

No provision described under this heading, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds to tender such Bonds for purchase, exchange, register, discharge from registration or replace Bonds, nor limit the rights of the Trustee or the Paying Agents to compensation in accordance with its agreements theretofore existing, until such Bonds

shall have been paid in full. Bonds delivered to the Trustee for payment shall be canceled by the Trustee pursuant to the Indenture.

The Trustee shall hold in trust money and/or Government Obligations deposited with it and as described above under this heading and shall apply the deposited money and the money from the Government Obligations in accordance with the Indenture only to the payment of principal of, interest on, or purchase price of, the Bonds of such series defeased in accordance with the Indenture.

When the Bonds have been paid in full, the Trustee shall so notify the Company.

Amendments of Indenture

Supplemental Indentures Without Bondholders' Consent. The Agency and the Trustee may, from time to time and at any time, enter into amendments or supplements to the Indenture, including any Series Supplemental Indenture (a *"Supplemental Indenture"*), without consent of the Bondholders for any of the following purposes:

(1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien thereof.

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(3) To add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Bond Counsel delivered to the Agency, be necessary to assure the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

(7) To authorize the issuance of a series of Additional Bonds and to prescribe the terms, forms and details thereof not consistent with the Indenture.

(8) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(9) To make any change not materially adversely affecting any Bondholder's rights to provide for or to implement the provisions of any Credit Facility with respect to a particular series of Bonds.

(10) With respect to any Bonds of a series entitled to the benefits of a Credit Facility, to make any change (other than changes permitted in paragraph (9) above) to provide for or to implement the provisions of such Credit Facility, only if the changes to the Indenture become effective on a purchase date on which the Bonds of such series are subject to mandatory tender for purchase.

(11) To evidence the succession of a new Trustee or the appointment by the Trustee or the Agency of a co-trustee.

(12) To make any change not materially adversely affecting any Bondholder's rights requested by the Rating Agency in order to secure or maintain a rating on the Bonds.

(13) To modify, amend or supplement the Indenture or any supplement thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute thereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(14) To modify or amend the provisions of the Indenture as shall, in the Opinion of Counsel, be necessary to conform the provisions of the Indenture to the New City/American Lease and/or the provisions of a leasehold mortgage of the Company's leasehold interest under the New City/American Lease.

Before the Agency and the Trustee shall enter into any Supplemental Indenture described above, there shall have been filed with the Trustee an Opinion of Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms.

Supplemental Indentures With Bondholders' Consent. Subject to the terms and provisions contained in the Indenture, the Holders of greater than 50% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture with respect to the Bonds as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing contained in the Indenture shall permit, or be

construed as permitting, (i) a change in the times, amounts or currency of payment of the principal, redemption price, Sinking Fund Installments, purchase price of, or interest on any Outstanding Bond, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bond, a reduction in the principal amount of or the redemption price of any Outstanding Bond or the rate of interest thereon (except upon conversion), any extension of the time of payment thereof, a change in the mechanics for any interest rate determination method applicable to any Bond, or a change in the terms of the purchase, in any case without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of revenues or rental income from or in connection with the Facility and payable by the Company under the IDA Lease Agreement other than the lien or pledge created by the Indenture, the Equipment Security Agreement, and the Leasehold Mortgage, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms described in this paragraph, without, in the case of items (i) through and including (v) of this section, the written consent of 100% of the Holders of the Outstanding Bonds (*provided* that a change affecting less than all of Outstanding Bonds shall require the approval only of the Holders of the Outstanding Bonds so affected). For the purposes described in this paragraph, Bonds shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, such Bonds would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Agency and all Holders of such Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether such Bonds would be so affected by any such modification or amendment of the Indenture.

If at any time the Agency shall determine to enter into any Supplemental Indenture for any of the purposes described in the immediately preceding paragraph, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall be prepared by the Company and shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders. Any change affecting less than all Bonds shall require notice to only to the Holders of the Bonds so affected.

Subject to the terms and provisions contained in the Indenture, within one year after the date of such notice, the Agency and the Trustee may enter into such Supplemental Indentures in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of Holders of not less than a majority of or 100% of, as the case may be, the aggregate principal amount of the Bonds then Outstanding (*provided* that a change affecting less than all of the Outstanding Bonds shall require approval only of the Holders of Outstanding Bonds so affected) and (ii) an Opinion of Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by

the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of such Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

Upon the execution of any Supplemental Indenture as described under this heading, the Indenture shall be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Holders of the affected Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of Company. Anything in the Indenture to the contrary notwithstanding, any Supplemental Indenture shall not become effective unless and until the Company shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Company.

Amendments of Related Transaction Documents

Amendments of Security Documents Not Requiring Consent of Bondholders. The Agency and the Trustee may consent, without the consent of or notice to the Bondholders, to any amendment, change or modification of any of the Security Documents (i) for the purpose of curing any ambiguity or formal defect or omission therein, (ii) which, in the judgment of the Trustee, based upon an opinion of Bond Counsel, is not materially to the prejudice of the Trustee, the Agency or the Holders of the Bonds, (iii) which, in the opinion of Bond Counsel delivered to the Agency, shall be necessary to assure the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (iv) which, in the Opinion of Counsel, shall be necessary to conform the provisions of such Security Documents to the New City/American Lease and/or the provisions of a leasehold mortgage of the Company's leasehold interest under the New City/American Lease. The Trustee shall have no liability to any Bondholder or any other person for any action taken by it in good faith as described in this paragraph.

Amendments of Security Documents Requiring Consent of Bondholders. Except as described in the immediately preceding paragraph, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Security Documents affecting any Bonds, without mailing of notice and the written approval or consent of the Holders of greater than 50% in aggregate principal amount of the Bonds at the time Outstanding given and procured as set forth in the Indenture; *provided, however,* there shall be no amendment, change or modification to (i) the obligation of the Company to make lease rental payments with respect to any Bonds under the IDA Lease Agreement, or (ii) the Company's or AMR's obligations under the Guaranties, without the prior written approval of the Holders of 100% in aggregate principal amount of all Bonds at the time Outstanding given and procured as provided in the Indenture. If

at any time an obligor to a Security Document shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall be prepared by the Agency or the Company and shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. For the purposes described in this paragraph, Bonds shall be deemed to be affected by a modification or amendment to a Security Document if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing described provisions, the Bonds would be affected by any modification or amendment to a Security Document and any such determination shall be binding and conclusive on the Agency and all Holders of the Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds would be so affected by any such modification or amendment to a Security Document.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES

The Company and AMR will execute separate Guaranties. Except as noted below, the Guaranties contain substantially the same terms and provisions. The following is a brief summary of certain provisions of the Guaranties and does not purport to be comprehensive or complete. Reference is made to the Guaranties for the complete provisions. As used in this Appendix E, the term "Guarantor" means American Airlines, Inc. or AMR Corporation, as applicable, as guarantor under its respective Guaranty.

Guaranty of the Bonds

Each Guarantor will execute and deliver to the Trustee its respective Guaranty, pursuant to which it will unconditionally guarantee to the Trustee for the benefit of the owners of the Bonds outstanding under the Indenture, including the Series 2002 Bonds: (a) the full and prompt payment of the principal, purchase price and premium, if any, on the Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (b) the full and prompt payment of interest on the Bonds and, to the extent permitted by law, interest on overdue interest and premium, when and as the same become due and payable. The obligations of each Guarantor under its Guaranty will be absolute, unconditional and immediately enforceable when each payment is due thereunder and will remain in full force and effect until such date as the Indenture is discharged and satisfied in accordance with the terms of the Indenture.

Assignment; Dissolution or Merger; Ability to Incur Debt

Under the AMR Guaranty, AMR may assign the AMR Guaranty to any Person. Except as provided in the immediately succeeding paragraph, no such assignment pursuant to the immediately preceding sentence will release AMR from any of its obligations under the AMR Guaranty unless 100% of the Holders of the Outstanding Bonds have consented to such release. The Company may not assign its obligations under the Company Guaranty; *provided* that the Company may assign the Company Guaranty to any Person to whom it assigns the Port Authority Lease in its entirety (by operation of law or otherwise) as provided in the Port Authority Lease (and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Assignment and Sublease") or to whom it assigns the New City/American Lease in its entirety pursuant to the New City/American Lease. Consistent with the provisions of the AMR Guaranty, except as provided in the immediately succeeding paragraph, no assignment of the Company Guaranty pursuant to the immediately preceding sentence will release the Company from any of its obligations under the Company Guaranty unless 100% of the Holders of the Outstanding Bonds have consented to such release.

Each Guarantor agrees that during the term of its respective Guaranty it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity unless the surviving entity or transferee, as applicable, is a solvent corporation or other solvent entity and, concurrently with such transaction, irrevocably and unconditionally

assumes in writing, by means of an instrument which is delivered to the Agency and the Trustee, all of the obligations of such Guarantor under such Guaranty (unless such Guarantor is the survivor, in which case no such written assumption will be required). Upon any dissolution, disposition, merger or consolidation in accordance with the preceding sentence, the successor entity formed by such consolidation or into which such Guarantor is merged or to which such disposition is made will succeed to, and be substituted for, and will exercise every right and power of, such Guarantor under its respective Guaranty with the same effect as if such successor entity had been named as the Guarantor therein. Upon any dissolution or disposition in accordance with the next preceding sentence where the applicable Guarantor is not the surviving entity, such Guarantor shall automatically be released from all of its obligations under its respective Guaranty. Under the Company Guaranty, the provisions described in this paragraph are also subject to the requirement that the guarantor under the Company Guaranty must at all times be the Person that is the "Lessee" under the Port Authority Lease and the New City/American Lease.

The Guaranties do not contain any restriction on the ability of AMR or the Company to incur debt or, except as described in the preceding paragraph, to sell or otherwise transfer any portion of its assets.

Events of Default

The following constitute "Events of Default" under each Guaranty:

(a) the applicable Guarantor fails under such Guaranty to make any payment with respect to the principal or purchase price or premium, if any, on the Bonds;

(b) the applicable Guarantor fails under such Guaranty to make any payment with respect to interest on the Bonds and such default continues for five Business Days from the date such payment was due;

(c) the applicable Guarantor fails to observe and perform any other covenant in such Guaranty and such failure continues for more than 60 days after written notice of such failure (which shall be deemed given when delivered or when mailed by registered or certified mail) has been given to such Guarantor by the Trustee;

(d) Any warranty, representation or other statement by the applicable Guarantor contained in such Guaranty is false or misleading in any material respect as of the date made; or

(e) the dissolution or liquidation of the applicable Guarantor or the commencement by the applicable Guarantor of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; the entry of a decree or order for relief in respect of the applicable Guarantor by a court of competent jurisdiction in an involuntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the applicable Guarantor or for any substantial

part of its property and the failure of such decree, order or appointment to be discharged within 90 days after such decree, order or appointment; the assignment by the applicable Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the applicable Guarantor into an agreement of composition with creditors; or the taking of any action by the applicable Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the applicable Guarantor" may not be construed to include cessation of the corporate existence of the applicable Guarantor resulting from either a merger or consolidation of the applicable Guarantor into or with another entity or dissolution or liquidation of the applicable Guarantor following a transfer of all or substantially all of its assets as an entirety under the conditions permitting such actions with respect to the applicable Guarantor contained in such Guaranty and described above under "—Assignment; Dissolution or Merger; Ability to Incur Debt."

Upon an Event of Default under a Guaranty, the Trustee will have the right to proceed first and directly against the applicable Guarantor under such Guaranty without resorting to any security held by the Agency or the Trustee under the Indenture.

Governing Law

Each Guaranty is governed by the laws of the State of Texas.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE

The following is a summary of certain provisions of the Port Authority Lease and does not purport to be comprehensive or complete. Reference is made to the Port Authority Lease for the complete provisions.

General

The Company has leased from the Port Authority, pursuant to the Port Authority Lease, the Premises on which the Facility is to be located at the Airport. The Port Authority Lease is subject to the Basic Agreement between the City and the Port Authority under which the City, the fee owner of the real property comprising the majority of the Airport and existing improvements thereon, has leased such real estate to the Port Authority. The current expiration date of the Basic Lease is December 31, 2015, subject to earlier termination in certain circumstances.

Redevelopment Work

The Company has agreed to submit to the Port Authority for its consent, the Company's comprehensive plan for the redevelopment of the Premises. The Company has agreed that its comprehensive plan for the Redevelopment Work will include, among other things (such Redevelopment Work includes construction work both on and off the Premises):

(a) A three (3) level main passenger terminal building and a two (2) level remote passenger terminal building consisting of approximately 1.9 million total square feet of floor space for both buildings.

(b) Not less than fifty-five (55) aircraft loading and unloading gate positions, of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, together with all associated and related areas and facilities, including, without limitation, passenger boarding gate lounges; and

(c) Related mechanical areas, concession areas, utility conduits, fuel systems, roadways, aircraft ramp and apron areas, grading and landscaping and ground transportation systems.

All such Redevelopment Work, whether on or off the Premises, is at the Company's sole cost and expense and must be in conformance with the design criteria contained in the Port Authority Tenant Construction Review Manual, as the same may be amended from time to time.

All Redevelopment Work must be done in accordance with terms and conditions set forth in the Port Authority Lease which include, among other things, the following:

(a) The Company must assume the risk of loss or damage to all of the Redevelopment Work prior to its completion and the risk of loss or damage to all property of the Port Authority and others and the risk of personal injury and death to all people arising out of or in connection with the performance of the Redevelopment Work. In the event of such loss or damage, the Company is required to forthwith repair, replace and make good the Redevelopment Work and the property of the Port Authority without cost or expense to the Port Authority.

(b) The Company has advised the Port Authority that it intends to expend not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) with respect to the Redevelopment Work and shall complete the Redevelopment Work by December 22, 2007.

(c) Prior to entering into a contract for any part of the Redevelopment Work, the Company must submit to the Port Authority for its approval the names of the contractors to whom the Company proposes to award said contracts. The Port Authority has the right to disapprove any contractor who is unacceptable to it. The Company must include in all such contracts such provisions and conditions as the Port Authority reasonably requires.

(d) The Company must furnish or require its architect to furnish a full-time resident engineer during the construction period of the Redevelopment Work.

(e) The Company has agreed to be solely responsible for any plans and specifications used by it and for any loss or damages resulting from the use thereof, notwithstanding their approval by the Port Authority and notwithstanding the incorporation therein of Port Authority recommendations or requirements.

(f) The Port Authority has the right, through its duly designated representatives, to inspect the Redevelopment Work and the plans and specifications relating to it, at any and all reasonable times during its progress and from time to time, in its discretion, to take samples and perform testing in any part of the Redevelopment Work.

(g) The Company must pay or cause to be paid all claims lawfully made against it by its contractors, subcontractors, materialmen and workmen, and all claims lawfully made against it by other third persons arising out of or in connection with or because of the performance of the Redevelopment Work, and must cause its contractors and subcontractors to pay all such claims lawfully made against them.

(h) The Company has agreed to procure and maintain insurance, including commercial general liability insurance, premises, operations, products liability, and builder's risk insurance.

(i) The Company has agreed that it will put into effect prior to the commencement of any of the Redevelopment Work an affirmative action program and minority business enterprise program and women-owned business enterprise program in accordance with the provisions of the Port Authority Lease.

In general, title to the Redevelopment Work passes to the City as the same or any part thereof is erected, constructed or installed and as the same becomes a part of the Premises. When the Redevelopment Work is substantially completed and ready for use, the Company must advise the Port Authority to such effect and shall deliver to the Port Authority a certificate signed by an authorized officer of the Company and also signed by the Company's licensed architect or engineer certifying that the Redevelopment Work has been constructed in accordance with the approved plans and specifications and the provisions of the Port Authority Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter, the Redevelopment Work will be inspected by the Port Authority and if it has been completed as certified by the Company and the Company's licensed architect or engineer, as aforesaid, a certificate to such effect shall be delivered to the Company, subject to the condition that all risks thereafter with respect to the construction and installation of the Redevelopment Work and any liability for negligence or other reason shall be borne by the Company. The Company must not use or permit the use of the Redevelopment Work for the purposes set forth in the Port Authority Lease until such certificate is received from the Port Authority, and the Company shall not use or permit the use of the Redevelopment Work or any portion thereof even if such certificate is received if the Port Authority states in any such certificate that the same cannot be used until other specified portions are completed.

Term

The expiration date of the Port Authority Lease is December 27, 2015, *provided, however,* that if there is any extension or replacement of the Basic Lease (*"Applicable Airport Lease Extension Agreement"*) then the expiration date is the date which is the first to occur of (A) the date prior to the date of expiration of the Applicable Airport Lease Extension Agreement, (B) December 21, 2036 and (C) the day immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date; *provided, however,* in the event there shall be a transfer of title to and ownership of the fee in the Airport to the Port Authority, the expiration date shall be the first to occur of (B) and (C). Notwithstanding the foregoing, in the event that the Required Conditions have not occurred prior to December 27, 2015, then the Port Authority Lease will automatically terminate without notice to the Company on December 27, 2015, notwithstanding any Applicable Airport Lease Extension Agreement.

Following execution of any Applicable Airport Lease Extension Agreement, the Port Authority may, at its option, tender to the Company a proposed supplement to the Port Authority Lease with such terms and provisions as the Port Authority deems appropriate. However, no such proposed supplement may change the location or size of the Premises or the rentals under the Port Authority Lease, except that the Port Authority may require the Company to pay to the Port Authority an additional rental (*"Additional Rental"*) equal to the Port Authority's increased costs under or arising out of or resulting from said Applicable Airport Lease Extension Agreement. If the Company does not execute such proposed supplement within twenty-five (25)

days, the Port Authority may terminate the Port Authority Lease as of the forty-sixth (46th) day after the original tender of such proposed supplement.

Rent

As of the effective date of the amended and restated Port Authority Lease on December 22, 2000, the Company agreed to pay the Port Authority ground rent and building rent equaling approximately $20,190,000 per year, such amount being subject to annual increases based upon a percentage of the percentage increase of the consumer price index.

In addition to general abatement provisions covering casualty and condemnation, the Company benefits from partial rent abatement of the existing buildings as it reaches the following investment targets in connection with the construction of the Project:

(i) For the period commencing on the date which is the later of (i) December 22, 2002 and (ii) the first of the month following the month that the Company's investment totals $283,333,050 through the date which is the later of (i) December 21, 2004 and (ii) the last day of the month during which the Company investment totals $566,666,100, the building rentals abate by 33.33%; and

(ii) For the period commencing on the date which is the later of (i) December 22, 2004 and (ii) the first of the month following the month that the Company's investment totals $566,666,100 through the date which is the earlier of the day preceding the (i) the first day of the month after all of the Required Conditions have been met (*"Building Rental End Date"*) and (ii) December 22, 2010, the building rentals abate by 66.66%;

provided however, if the Company does not complete construction of the new terminal and satisfy the Required Conditions by December 22, 2010, then the abatements described above will no longer be effective and the Company will have to pay the full amount of building rent until the Building Rental End Date, whenever that occurs.

The Company is obligated to pay *"Terminal Rental"* on the new terminal contemplated by the Project from and after the date which is the earlier of (1) December 22, 2031 and (2) the 25th anniversary of the Redevelopment Work Completion Date (*"Terminal Rental Commencement Date"*). On the Terminal Rental Commencement Date, the Port Authority will take a certain terminal rental rate (calculated as set forth in the Port Authority Lease) and multiply it by the number of square feet of interior space in the new terminal building, such calculated figure is hereafter referred to as the *"Terminal Rental"*. As of the Terminal Rental Commencement Date, the Company has agreed to pay 33.33% of the Terminal Rental, as adjusted annually by a percentage of the percentage increase of the consumer price index. The percentage of Terminal Rental payable by the Company gradually increases to 66.67% of the Terminal Rental over set adjustment periods until the Company is obligated to pay 100% of the Terminal Rental.

Termination by Port Authority

The Port Authority Lease is subject to earlier termination by the Port Authority in the event that:

(a) The Company becomes insolvent or takes the benefit of any present or future insolvency statute, or makes a general assignment for the benefit of creditors, or files a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof, or consents to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

(b) By order or decree of a court, the Company is adjudged bankrupt or an order is made approving a petition filed by any of its creditors or by any of the stockholders of the Company, seeking its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any law or statute of the United States or any state thereof, *provided* that if any such judgment or order is stayed or vacated within sixty (60) days after the entry thereof, any notice of cancellation shall be and become null, void and of no effect; or

(c) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer having jurisdiction, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of the Company, and such possession or control shall continue in effect for a periodof sixty (60) days; or

(d) The Company voluntarily abandons, deserts or vacates the Premises or discontinues its operations at the Airport, or after exhausting or abandoning any right of further appeal, the Company, because of an act or omission of the Company, is prevented for a period of thirty (30) days by action of any governmental agency (other than the Port Authority) having jurisdiction thereof, from conducting its operations at the Airport; or

(e) Any lien is filed against the Premises because of any act or omission of the Company and is not discharged within thirty (30) days after the Company receives notice thereof; or

(f) Except as otherwise provided in the Port Authority Lease, the letting under the Port Authority Lease of the interest or estate of the Company under the Port Authority Lease is transferred directly by the Company or passes to or devolves upon, by operation of law or otherwise, any other person, firm or corporation; or

(g) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute is filed against the Company and is not dismissed within ninety (90) days after the filing thereof; or

(h) Except as otherwise provided in the Port Authority Lease, the Company, without the prior written approval of the Port Authority, becomes a possessor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution (except that a merger or consolidation shall not be grounds for termination if the resulting corporation has a financial standing as of the date of the merger or consolidation at least as good as that of the Company by which is meant that its working capital, its ratio of current assets to current liabilities, its ratio of fixed assets to fixed liabilities and its net worth shall be at least as favorable as that of the Company); or

(i) The Company fails to pay the rentals or to make any other payment required under the Port Authority Lease when due to the Port Authority and continues in its failure to pay rentals or to make any other payments required under the Port Authority Lease for a period of twenty (20) days after receipt of notice by it from the Port Authority to make such payments; or

(j) The Company fails to keep, perform and observe each and every other promise, covenant and agreement set forth in the Port Authority Lease on its part to be kept, performed, or observed, within thirty (30) days after receipt of notice of default from the Port Authority (except where fulfillment of its obligation requires activity over a period of time, and the Company has commenced to perform whatever may be required for fulfillment within thirty (30) days after receipt of notice and continues such performance without interruption except for causes beyond its control); or

(k) The occurrence of a "change of control" (as defined in the Port Authority Lease) which either (i) results in a detectable decrease in the amount of, and a change in the nature of, the Company's scheduled passenger aircraft operations at the Airport or (ii) has the effect of causing the Port Authority Lease to become the only asset or a greater portion of the assets of the Company than prior to such "change in control."

The Port Authority Lease is subject to termination upon the expiration or termination of the Basic Lease.

The term of the Port Authority Lease is also subject to termination, resulting in the Company being deemed a hold-over tenant, on a month-to-month periodical basis, due to the occurrence of any of the following (referred to as *"Triggering Events"*):

(a) Failure by the Company to make payment as provided in two or more of the categories listed below:

(i) payment of monthly installments of rent to the Port Authority on the first day of each calendar month;

(ii) payment of all sums, including, without limitation, flight fees and fuel gallonage fees under the Company's general airport agreement, or otherwise, on or before the twentieth day of the following calendar month:

(iii) payment of all sums due to the Port Authority under the Port Authority Lease or otherwise, and outstanding for more than thirty (30) days, appearing on a statement of account rendered by the Port Authority to the Company.

(b) As a result of a default by the Company, other than a default arising due to compliance by the Company with any applicable law or directive or (*provided* that the Company has satisfied the Port Authority that it is reasonable to comply therewith) with any requirement, whether having the force of law or not, of any governmental or regulatory authority to which the Company is subject, unless such default results in the Company becoming bound to repay prematurely any of its indebtedness for borrowed moneys as described in (i) below (not being that in respect of which the default has occurred) and steps are taken to obtain repayment thereof:

(i) the Company becomes bound to repay prematurely any of its indebtedness for borrowed moneys having an outstanding aggregate principal amount of at least Twenty-five Million Dollars ($25,000,000) or its equivalent in any other currency or currencies (the "*Specified Amount*") and steps are taken to obtain repayment thereof; or

(ii) any such indebtedness having an outstanding aggregate principal amount of at least the Specified Amount or any guarantee or indemnity by the Company of any indebtedness of any Person for borrowed moneys having an outstanding aggregate principal amount of at least the Specified Amount is not, when due, paid by the latest of its due date, the expiry of any applicable grace period and (if payment is prevented by any applicable law) fifteen (15) days after the first date on which payment is permitted,

unless the Company satisfies the Port Authority that such acceleration, default or failure to pay is being contested in good faith by the Company or unless the Company demonstrates to the Port Authority that such acceleration, default or failure to pay has arisen from events other than those which would signify a deterioration in the Company's financial position or an inability to meet its financial obligations under such indebtedness; or

(c) a creditor takes possession of, or an administrative or other receiver is appointed for, the whole or a substantial part of the assets of the Company and such taking of possession or appointment is not released, discharged or canceled within sixty (60) days; or

(d) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets of the Company and is not discharged, dismissed or stayed within sixty (60) days thereof; or

(e) the Company stops payment generally or is unable to pay its indebtedness generally as and when they fall due (otherwise than for the purposes of a solvent

reconstruction, amalgamation or merger the terms of which have previously been approved in writing by the Port Authority) or ceases or threatens to cease to carry on all or substantially all of its business; or

(f) the Company makes an assignment for the benefit of creditors generally or admits in writing its inability to pay its indebtedness generally as it becomes due or takes corporate action in furtherance of any such action.

Any such month-to month periodical tenancy is terminable by either the Port Authority or the Company in accordance with law. If four consecutive calendar quarters have elapsed after a Triggering Event has occurred during which time the Company is in occupancy of the Premises as month-to-month tenant, and during such period none of the Triggering Events have occurred or continue to occur, the Company is not in default in the payment of rental or any other provision of its month-to-month tenancy and neither the Port Authority nor the Company has terminated the month-to-month tenancy by notice to the other, then upon request by either party to the other, the Company and the Port Authority will enter into a supplementary agreement to be prepared by the Port Authority and to be promptly executed by the Port Authority or the Company which provides for the re-establishment of a tenancy between the Port Authority and the Company on a fixed term basis in accordance with all of the terms and provisions of the Port Authority Lease, and upon said execution the Port Authority Lease, as the same may theretofore have been supplemented, amended or extended, shall have the fixed term stated in the Port Authority Lease.

Reallocation of Gate Positions

The Port Authority is permitted to reallocate gate positions, as well as aircraft ramp and terminal facilities, leased to the Company under the Port Authority Lease to other airlines on six months' notice to the Company if the Company does not satisfy usage requirements set forth in the Port Authority Lease. The Company would be compensated by such other airlines for such a reallocation.

Termination by the Company

The Company may terminate the Port Authority Lease prior to its expiration if:

(a) the Company is prevented from operating its air transportation system to and from the Airport by reason of its inability to use a substantial part or all of the runways and taxiways (as defined in the Port Authority Lease):

(i) for a period of longer than thirty (30) consecutive days as a result of any condition of the Airport not due to the fault of the Company;

(ii) for a period of longer than ninety (90) consecutive days as a result of a permanent injunction issued by any court of competent jurisdiction;

(iii) for a period of longer than ninety (90) consecutive days as a result of any order, rule or regulation of the FAA or other governmental agency having jurisdiction over the operations of the Company with which the Company is unable to comply at reasonable cost or expense; or

(b) the Port Authority fails to perform any of its obligations under the Port Authority Lease within twenty (20) days after receipt of a notice of default thereunder from the Company (except where fulfillment of its obligation requires activity over a period of time, and the Port Authority has commenced to perform whatever may be required for fulfillment within twenty (20) days after receipt of notice and continues such performance without interruption, except for causes beyond the control of the Port Authority).

Assignment and Sublease

The Company has agreed that it will not sell, convey, transfer, mortgage, pledge or assign the Port Authority Lease or any part of the Premises, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; *provided, however,* that the Port Authority Lease may be assigned in its entirety (by operation of law or otherwise) without such consent to any successor in interest of the Company which is or is to be a Scheduled Aircraft Operator satisfying the conditions set forth in the Port Authority Lease, and into which the Company merges or with which the Company consolidates, or which succeeds to the assets of the Company or the major portion of its assets related to its air transportation system, if immediately following the merger, consolidation or assignment either (i) the entity which then is the Company has a Tangible Net Worth equal to at least 95% of that of the Company immediately preceding the merger, consolidation or assignment or (ii) the entity which then is the Company has Debt (as defined below) that is rated by both Rating Agencies (as defined below) at or above Investment Grade (as defined below); *provided* that if the Company's Debt is then not rated by both Rating Agencies and is only rated by one of the Rating Agencies, the rating then given by that Rating Agency rating the Company's Debt shall be used (together, the *"Financial Tests"*); or, in the event neither of the Financial Tests is satisfied, if the Company prior to the effectuation of such assignment submits to the Port Authority the Consent Security Deposit (as defined below). As used in the preceding sentence, the term "Tangible Net Worth" shall mean the difference between the Company's total assets and the sum of (i) the Company's intangible assets and (ii) the Company's total liabilities; the term "Debt" shall mean all obligations of the entity which then is the Company that are evidenced by indebtedness which are considered or known as senior unsecured long-term indebtedness; the term "Grade" shall mean that evaluation of the quality of such Debt as determined by the Rating Agencies (as hereinafter defined); the term "Rating Agencies" shall mean Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. and/or Moody's Investors Service, Inc. or, in the event of the cessation of business of either, another nationally recognized rating agency firm or firms which is in the business of evaluating the degree of financial risk associated with debt securities and makes such information available to the investment community and as may be designated as a rating agency at any such time during the term of the Port Authority Lease by the Port Authority; the term "Investment Grade" shall mean a Grade of "BBB-" or higher by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. or "Baa3"

or higher by Moody's Investors Service, Inc. or such other equivalent designation that any of such Rating Agencies may use publicly in the future to designate the relative investment qualities of debt securities and to differentiate between those investments that are investment grade and those that are not.

In the event that the Company becomes the possessor (surviving) corporation in a merger without the prior written approval of the Port Authority and neither of the Financial Tests is satisfied, the Company shall submit to the Port Authority within fifteen (15) days following such merger all appropriate information and documentation sufficient to allow the Port Authority to determine whether the Financial Tests are satisfied. Thereafter if the Port Authority determines that neither of the Financial Tests is satisfied, the Port Authority shall by written notice advise the Company of the same and the Company shall submit the Consent Security Deposit (as defined below) to the Port Authority not later than fifteen (15) business days following said notice from the Port Authority (the *"Consent Security Deposit Delivery Date"*).

The "*Consent Security Deposit*" shall mean an aggregate amount equal to (i) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever) payable to the Port Authority by the Company arising out of or in connection with or due from its activities, operations, leases, permits or other agreements at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (i) being limited, however, to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period with said sum to be determined by the Port Authority; plus (ii) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever), if any, payable to the Port Authority by the entity with which the Company merges or consolidates or to which the Lease is assigned arising out of or in connection with or due to its activities, operations, leases, permits or other agreements, if any, at the Airport, during the twelve (12) calendar month period immediately preceding the calendar month of the date of the merger, consolidation or assignment, such sum under this clause (ii) being limited, however, to the aggregate of the three (3) highest monthly totals of said monetary obligations for any three (3) calendar months during said twelve (12) calendar month period, with said sum to be determined by the Port Authority. In the event the Consent Security Deposit is delivered pursuant to subparagraph (1) above, the terms, provisions and conditions governing the use of said Consent Security Deposit shall be set forth in the assumption instrument referred to therein.

Leasehold Mortgage and Reletting Rights

Notwithstanding the provisions of the Port Authority Lease limiting assignments and transfers of the Premises, the Company has the right (exercisable one time only) to execute the Leasehold Mortgage and to date, execute and deliver the same in accordance with the Port Authority Lease. The Leasehold Mortgage may only mortgage the leasehold interest of the Company or of a permitted assignee in the permitted Premises under the Port Authority Lease; *provided, however*, that if an assignee is granting a Leasehold Mortgage, it must also have assumed all of the obligations of the Company under the Port Authority Consent and all of the obligations of the Company under the Company Guaranty to pay principal, interest, purchase

price and premium on the Bonds. The Leasehold Mortgage may only secure the obligations of (i) the Company (including permitted successors) under the Company Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AMR (including permitted successors) under the AMR Guaranty to pay principal, interest, purchase price and premium on the Bonds.

Reletting Rights Effective Date Conditions. The Leasehold Mortgage will not be effective, (i) the lien created by the Leasehold Mortgage will not attach, (ii) the Leasehold Mortgagee will have no rights under the Leasehold Mortgage, (iii) the Leasehold Mortgage will not be executed, dated, delivered or recorded and (iv) the Reletting Rights will not be exercisable, unless all of the following conditions (the *"Reletting Rights Effective Date Conditions"*) are satisfied:

(a) the Port Authority shall have received from the Company certain certificates certifying that there has been substantial completion of the Redevelopment Work;

(b) the Redevelopment Work Completion Date shall have occurred;

(c) the Company shall have received from the Port Authority its certificate certifying that there has been substantial completion of the Redevelopment Work;

(d) the Company shall have spent not less than Eight Hundred Fifty Million Dollars and No Cents ($850,000,000.00) of qualified costs for the Redevelopment Work and the Company shall have received from the Port Authority either (i) an Audit Confirmation Notice (as defined below) confirming such expenditure or (ii) a Reliance Notice (as defined below) stating that it will rely on the Company's statement that it has spent such amount; and

(e) the Port Authority shall have received from the Company a certificate signed by a responsible officer of the Company certifying that the Premises contain not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department.

The Leasehold Mortgagee shall, at such time it deems appropriate following receipt of the Company's notice to the Leasehold Mortgagee that the Reletting Rights Effective Date Conditions have been satisfied, with the Leasehold Mortgage attached thereto, record or present for recording the Leasehold Mortgage in the appropriate filing office as required by and in compliance with all applicable law.

Any dating, execution, delivery or recording of the Leasehold Mortgage prior to the satisfaction of all of the Reletting Rights Effective Date Conditions or in violation or contravention of any of the terms, provisions, covenants and conditions of the Port Authority

Lease or the Port Authority Consent, including any recording of a form of the Leasehold Mortgage which is not the same as the form attached to the Port Authority Consent or any dating, executing, delivery or recording of the Leasehold Mortgage which is in violation of any term, covenant, condition, provision or representation in the Port Authority Lease or the Port Authority Consent (each a *"Wrongful Recording of the Leasehold Mortgage"*) will constitute a material breach of the Port Authority Lease by the Company and an event of default under the Port Authority Lease permitting the Port Authority to terminate the Port Authority Lease, in addition to any other rights or remedies the Port Authority may have, legal, equitable or otherwise, under the Port Authority Lease or otherwise; and any Wrongful Recording of the Leasehold Mortgage will not constitute the Leasehold Mortgagee as the leasehold mortgagee nor entitle the Leasehold Mortgagee to any of the Reletting Rights or rights thereunder or any other rights against the Port Authority Lease or the Premises or the Port Authority. The Company has agreed to cooperate with the Port Authority and promptly take any action requested or required by the Port Authority or required by applicable law to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including the execution and filing of all appropriate instruments; and the Company will ensure that its agreements with the Leasehold Mortgagee, including the Indenture and the Leasehold Mortgage, incorporate such provisions, including similar obligations of the Leasehold Mortgagee.

The right of the Port Authority to terminate the Port Authority Lease based on the Wrongful Recording of the Leasehold Mortgage will not be subject to the Reletting Rights of the Leasehold Mortgagee, and the Leasehold Mortgagee will not have any rights to cure such default by the Company.

For purposes of determining whether the Company has made an investment in the Redevelopment Work of not less than $850,000,000 to meet the Reletting Rights Effective Date Conditions, the Port Authority will within one year after it receives a certificate from the Company, not later than December 1, 2014, stating that it has spent at least $850,000,000 of qualified costs for the Redevelopment Work, send to the Company, with a copy to the Leasehold Mortgagee, a written notice that either (i) a Port Authority audit confirms an investment in the Redevelopment Work by the Company of not less than $850,000,000 (an *"Audit Confirmation Notice"*), or (ii) that the Port Authority audit does not confirm an investment in the Redevelopment Work by the Company of not less than $850,000,000 or (iii) that the Port Authority elects to rely on the Company's certificates as submitted by the Company to the Port Authority without completion of an audit (a *"Reliance Notice"*). If the Port Authority audit does not confirm an investment in the Redevelopment Work by the Company of not less than $850,000,000, the Company can submit additional certificates and the Port Authority will have a year from submission of any such certificates to confirm or disaffirm (or choose to rely on) such certificates.

Automatic Termination. The Leasehold Mortgage and the Reletting Rights will automatically terminate upon the earliest to occur of:

(a) the expiration, surrender or termination of the Basic Lease, *provided, however,* (but only if the Leasehold Mortgage or Reletting Rights have not terminated pursuant to the Port Authority Lease or because of any other reason) the Leasehold

Mortgage and Reletting Rights will not terminate solely by reason of the termination of the Basic Lease if the Fee Owner (as defined in the City Attornment Agreement) has become the lessor under the Port Authority Lease in accordance with the provisions of the City Attornment Agreement upon the termination of the Basic Lease, to the extent and for the period, if any, that Fee Owner is required pursuant to the terms of the City Attornment Agreement to recognize the Leasehold Mortgage and the Reletting Rights;

(b) the expiration, surrender or termination of the Port Authority Lease;

(c) the termination of the consent granted under the Port Authority Consent as to the Leasehold Mortgage;

(d) the termination, expiration or surrender (including, without limitation, discharge or release) of both of (i) the Company Guaranty (except that if payment obligations of the Company (including its permitted successors under the Company Guaranty) thereunder with respect to the payment of principal, interest, purchase price and premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AMR Guaranty (except that if payment obligations of AMR (including its permitted successors under the AMR Guarantor) thereunder with respect to the payment of principal, interest, purchase price and premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(e) the date on which no Bonds are Outstanding;

(f) the expiration of the Reletting Election Period without the Leasehold Mortgagee exercising such Reletting Rights;

(g) the date of any written notice given by the Leasehold Mortgagee stating that it will not exercise its Reletting Rights;

(h) the effective date of the letting of the Premises under the Port Authority Lease to a Qualifying Replacement Tenant;

(i) the effective date of a Lease Assignment/Assumption and Consent Agreement; and

(j) the expiration or earlier termination or cancellation of the Foreclosure Period.

The Leasehold Mortgagee may not assign or transfer the Leasehold Mortgage to any person other than a successor trustee. Each successor trustee will be obligated to hold the Leasehold Mortgage subject to all the terms and provisions of the relevant section of the Port Authority Lease as if it were the original Leasehold Mortgagee. The rights of the Leasehold Mortgagee, as leasehold mortgagee, are as specified in the Leasehold Mortgage and the Port

Authority Lease and are subject to, controlled by and dependent upon the terms, covenants, conditions and provisions set forth in the Port Authority Lease and the Port Authority Consent.

Until the Leasehold Mortgage has terminated, without the prior written consent of the Leasehold Mortgagee, (a) no amendment may be made to the provisions of the Port Authority Lease concerning Reletting Rights; and (b) no amendment may be made to the Port Authority Lease that only affects a Qualifying Replacement Tenant, without affecting the Company.

Neither a Qualifying Replacement Tenant nor any other person purchasing or succeeding to the leasehold under the Port Authority Lease has any right to pledge or mortgage the leasehold under the Port Authority Lease or any portion of the Premises.

Election to Exercise Reletting Rights. On and after the Reletting Rights Effective Date, the Port Authority will send to the Leasehold Mortgagee a copy of each notice of default given under the Port Authority Lease at the same time as such notice is sent to the Company. The Leasehold Mortgagee may cure any default with respect to the Premises as if, and with the same force and effect, as though cured by the Company. However, the Port Authority is not required to deliver to the Leasehold Mortgagee any notice of termination based on a Wrongful Recording of the Leasehold Mortgage and the Leasehold Mortgagee has no rights to cure a Wrongful Recording of the Leasehold Mortgage.

If on or after the Reletting Rights Effective Date the Port Authority elects to terminate the letting of the Premises under the Port Authority Lease, then, except as otherwise provided in the Port Authority Lease with respect to a Wrongful Recording of the Leasehold Mortgage, the Port Authority shall at the same time send a copy of the written notice of such termination (the *"Notice of Termination"*) to the Leasehold Mortgagee (the *"Notice of Termination Service Date"*). The Notice of Termination shall specify the effective time and date of such termination (the *"Notice of Termination Effective Date"*), which date must not be before the 30th day following the Notice of Termination Service Date, subject to extension as provided in the Port Authority Lease. The serving of the Notice of Termination on the Leasehold Mortgagee shall trigger the Reletting Rights and the period during which the Leasehold Mortgagee must elect whether to exercise the Reletting Rights (the *"Reletting Election Period"*) unless the Leasehold Mortgagee has previously exercised its Reletting Rights based on a Bonds Default or a Bankruptcy Rejection Date.

The Leasehold Mortgagee has the right to extend the Reletting Election Period for two additional 30-day periods beyond the original Notice of Termination Effective Date, but only if the Leasehold Mortgage pays to the Port Authority the extension fees provided in the Port Authority Lease and described below. Under certain circumstances the Reletting Election Period will be deemed to commence on a date other than the Notice of Termination Service Date. Upon the occurrence of a Bonds Default (as defined below), the Reletting Election Period shall be deemed to commence on the date of such Bonds Default and, upon the occurrence of a Company Bankruptcy (as defined below), the Reletting Election Period shall be deemed to commence on the Bankruptcy Rejection Date (as defined below). Prior to the end of the Reletting Election Period, the Leasehold Mortgagee must affirmatively elect whether it will exercise its Reletting

Rights or its right to foreclose on the Leasehold Mortgage or have the Port Authority Lease assigned to a Qualifying Replacement Tenant.

A *"Bonds Default"* is defined as either (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an event of default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an event of default under and as defined in the Indenture; *provided, however*, if any of the foregoing arises out of an act or omission of the Leasehold Mortgagee, despite the payment of any such amounts to the Leasehold Mortgagee, then such event of default shall not be a Bonds Default.

A *"Bankruptcy Rejection Date"* is defined as the later of (x) the date set forth in the order of the relevant bankruptcy court as the effective date of the rejection by the Company (or deemed rejection) of the Port Authority Lease and (y) the actual date of such order by the relevant bankruptcy court.

Foreclosure Obligations. The Foreclosure Period will commence upon the delivery by the Leasehold Mortgagee to the Port Authority of the Reletting Election Notice and the payment of the amounts described below, and will continue for up to 270 days thereafter, but is extendable to up to an aggregate total maximum period of 720 days (subject to certain provisions which toll the running of the Foreclosure Period) under certain circumstances and upon meeting certain conditions and paying certain amounts as described below. The Leasehold Mortgage sets out the Reletting Rights of the Leasehold Mortgagee under the Leasehold Mortgage to obtain a Qualifying Replacement Tenant during the Foreclosure Period.

The Leasehold Mortgagee must pay, as a condition to the commencement of the Foreclosure Period, the following: (the *"Leasehold Mortgagee's Foreclosure Period Obligations"*) during the Foreclosure Period:

(a) All amounts due and owing to the Port Authority under the Port Authority Lease which have accrued for any and all periods up to the actual date of service on the Port Authority by the Leasehold Mortgagee of its Reletting Election Notice, *provided* that such service is duly and timely made in accordance with the terms and provisions of the Port Authority Lease (the *"Reletting Election Notice Service Date"*).

(b) All amounts due and owing by the Company to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees which have accrued for a period of sixty (60) days up to the Reletting Election Notice Service Date; to the extent such amounts have not been paid to the Port Authority by the Company or the Leasehold Mortgagee prior to the commencement of the Foreclosure Period.

After the initial commencement of the Foreclosure Period and at all times during the continuation of the Foreclosure Period, including any and all extensions thereof (and in addition to the other payments due to the Port Authority), the Leasehold Mortgagee must pay to the Port Authority the following amounts on a current basis (the *"Leasehold Mortgagee's Foreclosure Period Current Basis Payments"*), as and when due under the Port Authority Lease and under the General Airport Agreement (and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees), to the extent such amounts are not paid by the Company:

(a) All amounts due and owing to the Port Authority under the Port Authority Lease on a current basis as the same become due and payable to the Port Authority under the Port Authority Lease commencing as of the first day of the Foreclosure Period.

(b) All amounts due and owing to the Port Authority by the Company under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees on a current basis accrued on or after the commencement of the Foreclosure Period as the same become due and payable to the Port Authority commencing as of the first day of the Foreclosure Period to the extent such amounts have not been paid to the Port Authority by the Company or the Leasehold Mortgagee.

At all times during the Foreclosure Period, the Leasehold Mortgagee will use all reasonable efforts to preserve the value of the Premises until the Leasehold Mortgagee has possession of the Premises under the Port Authority Lease, and thereafter shall fulfill all obligations under the Port Authority Lease with respect to the preservation of the Premises. Immediately upon the commencement of the Foreclosure Period, the Leasehold Mortgagee will use commercially reasonable efforts to obtain a Qualifying Replacement Tenant for the Premises for the balance of the term under the Port Authority Lease or such lesser term as it proposes to lease, subject to the consent of the Port Authority.

Upon any commencement of the Foreclosure Period, the Leasehold Mortgagee will (to the extent permitted by law) promptly and diligently and in good faith commence and continue and seek to complete proceedings to foreclose upon the Leasehold Mortgage and, in the event the Company fails to vacate the Premises, seek eviction of the Company therefrom; *provided* that in the event the Leasehold Mortgagee continues diligently to continue and complete the foreclosure proceedings (including the eviction of the Company) and, through no fault of its own, is unable to complete foreclosure proceedings by the ninetieth (90th) day from the initial commencement of the Foreclosure Period, then, *provided* that not less than five days prior to the expiration of such initial 90-day period the Leasehold Mortgagee gives written notice to the Port Authority, the initial Foreclosure Period shall be deemed extended for up to an additional ninety (90) days and shall expire on the earlier of (i) the Lease Assignment/Assumption Commencement Date or (ii) the 180th day from the initial commencement of the Foreclosure Period; *subject, however*, to the further condition that during the 91st to 180th days of the Foreclosure Period the Leasehold Mortgagee performs and pays all of the Leasehold Mortgagee's Foreclosure Period Obligations, including, without limitation, the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

Extensions of Foreclosure Period. In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose upon the Leasehold Mortgage (including the eviction of the Company), and the Leasehold Mortgagee, through no fault of its own, is unable to complete foreclosure proceedings by the 180th day from the commencement of the Foreclosure Period, then, *provided* that not less than five days prior to the expiration of such 180-day period the Leasehold Mortgagee gives written notice to the Port Authority, the Foreclosure Period shall be deemed extended for up to an additional 90 days and shall expire on the earlier of (i) the Lease Assignment/Assumption Commencement Date or (ii) 270th day from the initial commencement of the Foreclosure Period; *subject, however,* to the following further conditions:

(a) that during the 181st to 270th days of the Foreclosure Period, the Leasehold Mortgagee performs and pays all of the Leasehold Mortgagee's Foreclosure Period Obligations, including, without limitation, the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(b) that, unless the Foreclosure Period commenced solely on the basis of a Bonds Default and there has been no subsequent Notice of Termination Service Date or Bankruptcy Rejection Date (a *"Subsequent Non-Bonds Default"*), the Leasehold Mortgagee shall pay to the Port Authority for the 181st to 270th day period a Foreclosure Period Extension Fee in the amount of $8,090,000, payable in installments and subject to proration.

Unless each of the following conditions is satisfied prior to the 270th day of the Foreclosure Period, there shall be no further extension of the Foreclosure Period beyond the 270th day: (i) the Leasehold Mortgagee has previously identified and proposed to the Port Authority a proposed Qualifying Replacement Tenant pursuant to and in accordance with the terms and provisions of the Port Authority Lease, (ii) such proposed Qualifying Replacement Tenant meets all of the requirements for being approved, as determined by, and to the satisfaction of, the Port Authority, and (iii) such proposed Qualifying Replacement Tenant, the Leasehold Mortgagee, the Company and the Port Authority have executed the Lease Assignment/Assumption and Consent Agreement subject to, and under which, such proposed Qualifying Replacement Tenant will become the Qualifying Replacement Tenant, commencing upon the successful completion by the Leasehold Mortgagee of the foreclosure and eviction proceedings prior to the expiration of the Foreclosure Period (if and as extended). The foregoing pre-conditions shall be in addition to the conditions set forth below which the Leasehold Mortgagee must satisfy with respect to each of the following additional extensions of the Foreclosure Period.

In the event the Leasehold Mortgagee, during the initial 90 days of the Foreclosure Period, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Company from the Premises and the Leasehold Mortgagee, through no fault of its own, was unable to complete foreclosure proceedings by the 270th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, *provided* that not less than five days prior to the expiration of such 270-day

period the Leasehold Mortgagee gives written notice to the Port Authority, the Foreclosure Period shall be deemed extended for up to an additional 90 days and shall expire on the earlier of (i) the Lease Assignment/Assumption Commencement Date or (ii) the 360th day from the commencement of the Foreclosure Period; *subject, however*, to the following further conditions:

(a) that during the 271st to 360th day extension of the Foreclosure Period, the Leasehold Mortgagee performs and pays all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(b) that, unless the Foreclosure Period commenced solely on the basis of a Bonds Default and there has been no Subsequent Non-Bonds Default, the Leasehold Mortgagee pays to the Port Authority for the 271st to 360th day extension a Foreclosure Period Extension Fee in the amount of $8,090,000, payable in installments and subject to proration.

In the event the Leasehold Mortgage, during the initial 90 days of the Foreclosure Period, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Company from the Premises and the Leasehold Mortgagee, through no fault of its own, was unable to complete foreclosure proceedings by the 360th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, *provided* that not less than five days prior to the expiration of such 360-day period the Leasehold Mortgagee gives written notice to the Port Authority, the Foreclosure Period shall be deemed extended for an additional period which shall expire on the earlier of (i) the Lease Assignment/Assumption Commencement Date or (ii) the 540th day from the initial commencement of the Foreclosure Period; *subject, however*, to the following further conditions:

(a) that during the 361st to 540th day extension of the Foreclosure Period, the Leasehold Mortgagee performs and pays all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(b) that, unless the Foreclosure Period commenced solely on the basis of a Bonds Default and there has been no Subsequent Non-Bonds Default, the Leasehold Mortgagee pays to the Port Authority for the 361st to 540th day extension a Foreclosure Period Extension Fee in the amount of $32,361,000, payable in installments and subject to proration.

In the event the Leasehold Mortgage, during the initial 90 days of the Foreclosure Period, commenced in good faith and thereafter at all times diligently continued proceedings to foreclose the Leasehold Mortgage and to evict the Company from the Premises and the Leasehold Mortgagee, through no fault of its own, is unable to complete foreclosure proceedings by the 540th day from the commencement of the Foreclosure Period and the pendency of the foreclosure proceedings in the State of New York is the sole impediment to such completion, then, *provided* that not less than five days prior to the expiration of such 540-day period the

Leasehold Mortgagee gives written notice to the Port Authority, the Foreclosure Period shall be deemed extended for a final period which shall expire on the earlier of (i) the Lease Assignment/Assumption Commencement Date or (ii) the 720th day from the initial commencement of the Foreclosure Period; *subject, however*, to the following further conditions:

(a) that during the 541st to 720th day extension of the Foreclosure Period the Leasehold Mortgagee performs and pays all of the Leasehold Mortgagee's Foreclosure Period Obligations, including without limitation the payment to the Port Authority of all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments; and

(b) that, unless the Foreclosure Period commenced solely on the basis of a Bonds Default and there is no Subsequent Non-Bonds Default, the Leasehold Mortgagee pays to the Port Authority for the 541st to 720th day extension a Foreclosure Period Extension Fee in the amount of $48,541,000, payable in installments and subject to proration.

In the event that the Foreclosure Period initially commences as a result solely of a Bonds Default, the Foreclosure Period Extension Fees will not be payable unless and until there occurs a Subsequent Non-Bonds Default. In the event of such Subsequent Non-Bonds Default the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees commences as follows: (i) if the Subsequent Non-Bonds Default occurs during the initial 90 days of the Foreclosure Period the actual date of said Subsequent Non-Bonds Default will be treated as the first day of the Foreclosure Period and the Foreclosure Period Extension Fees commence on the 181st day following the Subsequent Non-Bonds Default at the rate applicable on the 181st day thereof; and (ii) if such Subsequent Non-Bonds Default occurs after the 90th day of the Foreclosure Period, the 90th day of the Foreclosure Period will be treated as the first day of the Foreclosure Period and the Foreclosure Period Extension Fees will, where the Subsequent Non-Bonds Default occurs between the 91st and the 270th days of the Foreclosure Period, commence on the 271st day of the Foreclosure Period at the rate applicable on the 181st day thereof; and where the Subsequent Non-Bonds Default occurs between the 271st and the 720th days of the Foreclosure Period the Foreclosure Period Extension Fees will commence on the actual date of the Subsequent Non-Bonds Default at the rate applicable on the 90th day preceding such actual date.

For illustrative purposes only the following two examples of the foregoing are provided:

Example 1. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 20th day after such commencement of the Foreclosure Period, the 20th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 200th day of the Foreclosure Period at the installment rate set forth above for (the 181st-270th day period); alternatively, if the Subsequent Non-Bonds Default occurred on the 150th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period would be treated as day 1 and said 150th day would be treated as day 60 for purposes of the determination of the applicable Foreclosure Period Extension Fee

and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence 121 days thereafter (i.e. on the 271st day of the Foreclosure Period) at the installment rate applicable on the 181st day as set forth above (the 181st-270th days rate) and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the installment rates applicable to the 271st to 360th day period, the 361st to 540th day period and the 541st to 720th day period.

Example 2. If the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 70th day after such commencement of the Foreclosure Period, the 70th day of the Foreclosure Period would be treated as day 1 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 251st day of the Foreclosure Period at the installment rate set forth above for the 181st-270th period and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the installment rates applicable to the 271st to 360th day period, the 361st to 540th day period and the 541st to 720th day period; alternatively, if the Foreclosure Period commenced based on a Bonds Default only and the Subsequent Non-Bonds Default occurred on the 600th day after such commencement of the Foreclosure Period, the 90th day of the Foreclosure Period would be treated as day 1 and the said 600th day would be treated as day 510 for purposes of the determination of the applicable Foreclosure Period Extension Fee and the obligation of the Leasehold Mortgagee to pay to the Port Authority the Foreclosure Period Extension Fees would commence on the 600th day of the Foreclosure Period at the installment rate which would be in effect on the 510th day at the 361st - 540th days rate and continue thereafter during the Foreclosure Period and payable on the first day of each 30-day period thereafter occurring during the Foreclosure Period at the 30-day installment rates applicable to the 361st to 540th day period and the 541st to 720th day period.

The failure of the Leasehold Mortgage to pay the Foreclosure Period Commencement Payments when due shall result in the automatic cancellation of the Leasehold Mortgagee's Reletting Rights (and of any Foreclosure Period) and of the Leasehold Mortgage. The failure of the Leasehold Mortgagee to timely pay any of the Leasehold Mortgagee's Foreclosure Period Payments or to fully and duly perform any of the Leasehold Mortgagee's Foreclosure Period Obligations shall result in the termination of the Foreclosure Period and the Reletting Rights and the Leasehold Mortgage automatically without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become fully effective. The failure of the Leasehold Mortgagee to pay any Foreclosure Period Extension Fee when due shall result in the automatic termination and non-extension of the Foreclosure Period and the automatic termination of the Leasehold Mortgagee and the Reletting Rights without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become effective.

If the Foreclosure Period is terminated or expires and the Leasehold Mortgagee has failed to obtain a Qualifying Replacement Tenant for the Premises in accordance with the Port Authority Lease, the Reletting Rights and the Leasehold Mortgagee shall terminate automatically

and the Leasehold Mortgage shall have no further rights or obligations with respect to reletting, the Port Authority's termination under the Notice of Termination shall be deemed effective with respect to the Premises and the Port Authority Lease with respect to the Premises shall be deemed terminated effective immediately on such expiration of the Foreclosure Period in accordance with the Port Authority Lease. The Port Authority, in addition to pursuing any or all of its rights and remedies under the Port Authority Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Premises free of any claim, right or interest of the Company, the Leasehold Mortgagee, the IDA or the Bondholders.

In the event of the occurrence of either the filing by the Company of a voluntary petition under the United States Bankruptcy Code or the filing of an involuntary petition against the Company under the United States Bankruptcy Code, and the pendency of proceedings pursuant thereto (a "*Company Bankruptcy*"), the Port Authority Lease provides for suspension of the Foreclosure Period.

In the event of the failure of the Leasehold Mortgagee to exercise its Reletting Rights by the timely service of its Reletting Election Notice and the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments in accordance with the Port Authority Lease, the Port Authority Lease and the letting of the Premises shall be deemed terminated, and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Lease, or otherwise, shall be entitled to elect to use, alter or demolish any of the improvements on the Premises free of any claim, right or interest of the Company or the Leasehold Mortgage.

Qualifying Replacement Tenant. No entity, party or person other than a Qualifying Replacement Tenant will be entitled to become the owner of or acquire any interest in the Port Authority Lease pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the Leasehold Mortgagee of its Reletting Rights or otherwise; and any entity, person or party proposed to become a Qualifying Replacement Tenant (a "*Proposed Replacement Tenant*") will become a Qualifying Replacement Tenant only if the Leasehold Mortgagee duly exercises its Reletting Rights. In determining whether to approve or disapprove a Proposed Replacement Tenant, the Port Authority will consider all relevant factors, including but not limited to, the following factors, but the Port Authority has agreed to analyze all such factors in a reasonable manner:

(a) whether the Proposed Replacement Tenant will be able to fulfill all of the Company's obligations under the Port Authority Lease with respect to the Premises throughout the balance of the term of the letting or such lesser term as it proposes to lease;

(b) whether the financial standing of the Proposed Replacement Tenant as of the effective date of its acquisition of the leasehold under the Port Authority Lease is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Proposed Replacement Tenant will be able to fulfill all of the Company's obligations with respect to the Premises under the Port Authority Lease throughout the balance of the term of the letting of the Premises or such lesser term as it proposes to lease (which

determination may require the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory and submission of such financial statements and other financial information as the Port Authority may require);

(c) whether the Proposed Replacement Tenant and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the Proposed Replacement Tenant, if said Proposed Replacement Tenant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest (a *"Related Person"*) has as of the date of the proposed assignment/assumption a good reputation for integrity and financial responsibility and has not been convicted of or is not under current indictment for any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff); and

(d) whether the Port Authority has had any Unfavorable Experience (as defined below) with the Proposed Replacement Tenant, or any Related Person. *"Unfavorable Experience"* means any one or more of the following: (A) a material default by such Proposed Replacement Tenant or any such Related Person of any obligation (monetary or non-monetary) to the Port Authority; (B) any assertion made by such Proposed Replacement Tenant or any such Related Person against the Port Authority in any frivolous, false, malicious, or unsupportable claim, demand or allegation or suit or proceeding; (C) any act or omission of such Proposed Replacement Tenant or any such Related Person causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority; (D) any failure or refusal of such Proposed Replacement Tenant or any such Related Person to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, environmental requirements, at any Port Authority facility; (E) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by such Proposed Replacement Tenant or any such Related Person; or (F) any breach by such Proposed Replacement Tenant or any such Related Person of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority;

(e) whether the Proposed Replacement Tenant or any Related Person is in conflict of interest, as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed assignment; and

(f) whether the Proposed Replacement Tenant or any Related Person has filed a voluntary petition in bankruptcy or has been adjudicated a bankrupt within five (5) years prior to the date of the proposed assignment.

The Proposed Replacement Tenant must also agree in the Lease Assignment/Assumption and Consent Agreement, to pay all of the rentals, fees, charges and other amounts payable under and in accordance with the Port Authority Lease. The Proposed Replacement Tenant must use and occupy the Premises for the purposes set forth in the Port Authority Lease and agree in the Lease Assignment/Assumption and Consent Agreement to use and occupy the Premises in accordance with all of the terms and conditions of the Port Authority Lease.

No Proposed Replacement Tenant shall become a Qualifying Replacement Tenant, or have any right to possess, use or occupy the Premises unless and until an assignment and assumption agreement, in the event of an assignment in lieu of foreclosure, or an assumption agreement, in the event of a foreclosure, whereby the Proposed Replacement Tenant, effective on a date prior to or simultaneously with the expiration of the Foreclosure Period, assumes the obligations of the Company as if it were the original tenant under the Port Authority Lease, has been executed by the Port Authority, the Company (except in the case of an assumption agreement, in the event of a foreclosure, in which case the signature of the Company shall not be required), the Proposed Replacement Tenant and the Leasehold Mortgagee (said fully executed agreement in either case, the *"Lease Assignment/Assumption and Consent Agreement"*).

In addition, no Port Authority consent will be granted to any Qualifying Replacement Tenant and no Proposed Replacement Tenant or any other entity, person or party shall become a Qualifying Replacement Tenant until either (i) the Leasehold Mortgagee or the Proposed Replacement Tenant has paid to the Port Authority in a single lump sum payment the full amount of the Deferred Reletting Fee, or (ii) at the election of the Qualifying Replacement Tenant, in lieu of such single lump sum payment, the Qualifying Replacement Tenant has agreed to pay the Deferred Reletting Fee over time as additional rental, commencing as of the commencement date of the Lease Assignment/Assumption and Consent Agreement (the *"Lease Assignment/ Assumption Commencement Date"*).

The Deferred Reletting Fee is the amount derived by the following formula:

$$DRF = MA \times Y \times C$$

Where *"DRF"* is the Deferred Reletting Fee.

"MA" is an amount equal to the lesser of (i) the principal amount of Bonds issued (without taking into account any prepayments, redemptions or refundings) and (ii) $2,300,000,000.

"Y" is a fraction the numerator of which is the greater of (a) the number of full years remaining during the term of the Port Authority Lease as of the Reletting Election Notice Service Date and (b) five, and the denominator of which is the number of years between the closing date of the sale of the Series 2002 Bonds and the earlier of (x) the day preceding the 30th anniversary of the Redevelopment Work Completion Date and (y) December 21, 2036.

"X" is (i) 2% if the Foreclosure Period commenced because of a Bonds Default and no subsequent lease termination or Bankruptcy Rejection Date occurred during the Foreclosure

Period, (ii) 3% if the Foreclosure Period commenced because of a termination of the Port Authority Lease or a Bankruptcy Rejection Date, and no Bonds Default subsequently occurred, or (iii) 4% if the Foreclosure Period commenced because of a Bonds Default and a termination of the Port Authority Lease or Bankruptcy Rejection Date subsequently occurred, or if the Foreclosure Period commenced because of a termination of the Port Authority Lease or Bankruptcy Rejection Date and a Bonds Default subsequently occurred.

Port Authority Right to Terminate Leasehold Mortgage. The Leasehold Mortgagee may not foreclose its Leasehold Mortgage or have the Company's interest assigned in lieu of such foreclosure unless at least thirty (30) days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee has given the Port Authority written notice of its intention to foreclose or to have the Port Authority Lease assigned with respect to the Premises. Such notice is to state the principal amount of the Bonds then outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then outstanding from and after the giving of such notice. The Port Authority has the right following the giving of such notice by the Leasehold Mortgagee, to terminate the Leasehold Mortgage and thus prevent foreclosure of the Leasehold Mortgage by paying to the Trustee an amount equal to the principal amount of the Bonds outstanding, including per diem interest to the date of purchase.

Insurance

The Company has agreed to keep insured, to the replacement value thereof, all buildings, structures, improvements, installments, facilities and fixtures now or in the future located on the Premises against all risks of physical loss or damage (including flood and earthquake risks), to the extent set forth in the Port Authority Lease.

Damage to or Destruction of the Premises

If all, or any part of, the Premises is damaged by fire, the elements, the public enemy or other casualty, the Company has agreed to promptly remove all debris resulting from such damage from the Premises, and to the extent, if any, that the removal of debris under such circumstances is covered by insurance, such insurance proceeds will be made available to the Company and the Company will use such proceeds for such purpose.

If all, or any part of, the Premises is damaged by fire, the elements, the public enemy or other casualty, but not rendered untenantable or unusable for a period of ninety (90) days, the Company has agreed to repair the Premises with due diligence in accordance with the plans and specifications for the Premises as they existed prior to such damage by and at the expense of the Company and if such damage is covered by insurance the proceeds of such insurance will be made available to and be used by the Company for such repair.

If all, or any part of, the Premises is destroyed or so damaged by fire, the elements, the public enemy or other casualty as to be untenantable or unusable for a period of ninety (90) days, or if within ninety (90) days after such damage or destruction the Company notifies the Port Authority in writing that in its opinion said Premises will be untenantable or unusable for a

period of ninety (90) days, then the Company shall proceed with due diligence to make the necessary repairs or replacements to restore such Premises in accordance with the plans and specifications for the Premises as the same existed prior to such damage or destruction; or, with the approval of the Port Authority, make such other repairs, replacements or changes as may be desired by the Company. If such destruction or damage was covered by insurance, the proceeds of such insurance shall be made available to and used by the Company for such restoration.

The obligation of the Company to repair or replace shall be limited to the amount of the insurance proceeds, *provided* the Company has carried insurance to the extent and in accordance with the Port Authority Lease. Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

Indemnity and Liability Insurance

The Company has agreed to indemnify, and hold harmless, the Port Authority, its commissioners, officers, employees and representatives, from and against all claims and demands of third persons (including reimbursement of the Port Authority's costs and expenses, including legal expenses) including, but not limited to, claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of the Port Authority Lease, or out of the use or occupancy of the Premises by the Company or by others with its consent, or out of any other acts or omissions of the Company, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises, or arising out of the acts or omissions of the Company, its officers and employees elsewhere at the Airport (excepting only claims and demands arising from the sole negligence of the Port Authority), including claims and demands of the City from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the City.

The Company has agreed to maintain commercial general liability insurance, including premises-operations, products, completed operations, liquor liability and covering bodily injury, including death, and property damage liability, broadened to include, or equivalent separate policies covering, aircraft liability; commercial automobile liability insurance covering owned, non-owned and hired vehicles, environmental impairment liability insurance covering both gradual and sudden and accidental occurrences; and other liability insurance coverage, all with minimum limits, endorsements, limits on exclusions and other requirements as set forth in the Port Authority Lease.

Condemnation

Upon the acquisition by condemnation or the exercise of the power of eminent domain by any entity having a superior power of eminent domain of a permanent interest in all or any part of the Premises or of a permanent interest in all or any part of the public landing area, the Port Authority has agreed to purchase from the Company, and the Company has agreed to sell to the Port Authority, the Company's leasehold interest (excluding personal property) in the Premises, except that in the event of such an acquisition of less than all of the Premises, the Port Authority has agreed to purchase and the Company will be required to sell only so much of the Company's

leasehold interest in the Premises as so acquired. The consideration to be paid by the Port Authority to the Company will be an amount equal to the unamortized redevelopment investment, if any, of the Company in the Premises or, in the event of an acquisition of a portion of the Premises, an amount equal to the unamortized redevelopment investment, if any, of the Company in the acquired Premises.

Remedies

The Company's obligations under the Port Authority Lease will survive a termination, cancellation or re-entry by the Port Authority and will remain in full force and effect for the full term of, or the letting under, the Port Authority Lease and the amount of damages or deficiency owed by the Company to the Port Authority are to the same extent, at the same time and in the same manner as if no termination, cancellation, or re-entry had occurred. The Port Authority may maintain separate actions each month to recover the damage or deficiency then due or, at its option and at any time, may sue to recover the full deficiency less the proper discount, for the entire unexpired term.

The Port Authority, upon termination, cancellation or re-entry, may occupy the Premises or may relet the Premises, and has the right to permit any persons, firm or corporation to enter and use the Premises. Such reletting may be of only a part of the Premises or a part of the Premises together with other space, and for a period of time the same as or different from the balance of the term remaining under the Port Authority Lease and on terms and conditions the same as or different from those set forth in the Port Authority Lease. The Port Authority, upon termination, cancellation or re-entry, has the right to repair or to make structural or other changes in the Premises, including changes which alter the character of the Premises and the suitability of the Premises for the Company's purposes under the Port Authority Lease, without affecting, altering or diminishing the obligations of the Company under the Port Authority Lease.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE

The following is a brief summary of certain provisions of each of the Port Authority Consent and the Leasehold Mortgage and does not purport to be comprehensive or complete. Reference is made to the Port Authority Consent and the Leasehold Mortgage for the complete provisions.

Summary of Certain Provisions of the Port Authority Consent

In connection with the issuance of the Bonds by the Agency for the financing of the Redevelopment Work, the Company has requested the consent of the Port Authority to the Company Sublease, the IDA Lease Agreement and the Leasehold Mortgage. The Port Authority has agreed to give such consent under, and in accordance with the terms and provisions of, the Port Authority Consent.

General. The Port Authority Consent provides that:

(a) except as otherwise expressly set forth therein and described in paragraph (b) below, the fact that certain provisions of the Port Authority Consent, the Company Sublease, the IDA Lease Agreement and/or the Leasehold Mortgage refer to and/or incorporate the Port Authority Lease and/or provisions thereof, will not limit or in any way affect the rights and ability of the Company and the Port Authority to amend, supplement, delete or otherwise change the terms and provisions of the Port Authority Lease, including without limitation any provisions of the Port Authority Lease referred to or incorporated in the Company Sublease and the IDA Lease Agreement, and the Company and the Port Authority will be as free to amend, supplement, delete or otherwise change the terms and provisions of the Port Authority Lease or any of them as if the Port Authority Consent, the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranties, the Agreement Towards Entering Into a Lease, the New City/American Lease, the City Attornment Agreement and resolutions of the Agency authorizing the issuance of the Bonds had never been entered into and the Bonds had never been issued;

(b) until the Leasehold Mortgage is terminated as provided in the Port Authority Consent and described below under "*—Termination of Consent to Leasehold Mortgage*":

(i) no amendment may be made to Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) no amendment which only affects a Qualifying Replacement Tenant, without affecting the Company, may be made to the Port Authority Lease without the prior written consent of the Leasehold Mortgagee;

(c) except as otherwise expressly set forth in Section 92, neither the Port Authority Consent nor anything contained therein nor the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranties, the Agreement Towards Entering Into a Lease, the New City/American Lease, the City Attornment Agreement and resolutions of the Agency authorizing the issuance of the Bonds nor anything contained therein will limit or affect or be deemed to have limited or affected the right of the Port Authority to terminate the Port Authority Lease;

(d) neither the Port Authority Consent nor anything contained therein nor the issuance of the Bonds will be or be deemed to be a waiver by or consent of the Port Authority to any breach or default of the Port Authority Lease; and

(e) neither the Port Authority Consent nor anything contained therein, nor the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranties, the Agreement Towards Entering Into a Lease, the New City/American Lease, the City Attornment Agreement or any resolutions of the Agency authorizing issuance of the Bonds, nor the issuance of the Bonds (including the issuance of Bonds with a maturity extending beyond the expiration date of the Port Authority Lease), nor the completion of, nor failure to complete, the Redevelopment Work or any portion thereof, nor the expenditure of monies or Bond proceeds thereon, will grant or be deemed to have granted any rights whatsoever in the Company or any of the parties related to the Bond financing to an extension or renewal of the Port Authority Lease beyond the expiration date of the Port Authority Lease or such further expiration date as the Port Authority and the Company may agree upon, or (except as provided in the Agreement Towards Entering Into a Lease, the New City/American Lease or the City Attornment Agreement) to lease, use or occupy the Premises or any part thereof after the expiration or earlier termination or surrender of the Port Authority Lease, or to be reimbursed by the Port Authority for the Company's cost of completing the Redevelopment Work or any portion thereof.

No Extension of Basic Lease. The Port Authority Consent also provides that it does not obligate the Port Authority to extend the Basic Lease.

Covenants With Respect to the Leasehold Mortgage. Each of the Company, the Trustee, each Bondholder, AMR and the Agency agrees that the Leasehold Mortgage will not be enforceable prior to the Reletting Rights Effective Date and that it will not attempt to deliver, file, record or enforce the Leasehold Mortgage prior to the Reletting Rights Effective Date. Such parties also agree that only the Trustee has the right to record the Leasehold Mortgage after the Reletting Rights Effective Date and that any Wrongful Recording of the Leasehold Mortgage will constitute a material breach of the Port Authority Lease by the Company and an event of default under the Port Authority Lease permitting the Port Authority to terminate the Port Authority Lease in accordance with the provisions thereof, in addition to and without limiting any other rights or remedies the Port Authority may have, legal, equitable or otherwise, under the Port Authority Lease, the Port Authority Consent or otherwise; and any such Wrongful Recording of the Leasehold Mortgage will not constitute the Trustee as the Leasehold Mortgagee

nor entitle the Trustee to any of the Reletting Rights or any other rights thereunder or any other rights against the Port Authority Lease or the Premises.

Termination of the Port Authority Consent With Respect to Subleases. The Port Authority Consent provides that the consent granted thereunder as to the Company Sublease and the IDA Lease Agreement will automatically terminate and end, without notice to the Company or any of the Trustee, the Agency, AMR or any Bondholder, upon the earliest to occur of the following:

(a) the expiration, surrender or termination of the Basic Lease;

(b) the expiration, surrender or termination of the Port Authority Lease;

(c) the expiration or earlier termination of the Company Sublease;

(d) the expiration or earlier termination of the IDA Lease Agreement;

(e) the date on which no Bonds are Outstanding; or

(f) the date which is the earlier to occur of (i) the day immediately preceding the 30th anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036.

Termination of the Port Authority Consent With Respect to Leasehold Mortgage. The Port Authority Consent provides that the consent granted thereunder as to the Leasehold Mortgage and the Reletting Rights associated therewith will become null and void, and the consent granted thereunder as to the Leasehold Mortgage will automatically terminate and end, without notice to the Company or any of the Trustee, the Agency, AMR or any Bondholder, upon the earliest to occur of the following:

(a) the expiration, surrender or termination of the Basic Lease; *provided, however*, (but only if the Leasehold Mortgage or Reletting Rights have not terminated pursuant to the Port Authority Lease or because of any other reason) the Leasehold Mortgage and Reletting Rights will not terminate solely by reason of the termination of the Basic Lease if the Fee Owner (as defined in the City Attornment Agreement) has become the lessor under the Port Authority Lease in accordance with the provisions of the City Attornment Agreement upon the termination of the Basic Lease, to the extent and for the period, if any, that the Fee Owner is required pursuant to the terms of the City Attornment Agreement to recognize the Leasehold Mortgage and the Reletting Rights;

(b) the expiration, surrender or termination of the Port Authority Lease; it being understood that the Company does not have the right to terminate the Port Authority Lease prior to the later to occur of the Reletting Rights Effective Date or the date that the Leasehold Mortgage and the Reletting Rights of the Leasehold Mortgagee automatically terminate as described in this paragraph;

(c) the termination, expiration or surrender (including without limitation discharge or release) of both of (i) the Company Guaranty (except that if payment obligations of the Company (including its permitted successors as the guarantor thereunder provided each such permitted successor is then the lessee under the Port Authority Lease), thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AMR Guaranty (except that if payment obligations of AMR (including its permitted successors as the guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(d) the date on which no Bonds are Outstanding;

(e) the expiration of the Reletting Election Period without the timely and effective exercise by the Leasehold Mortgagee of its election to exercise its Reletting Rights by service of its Reletting Election Notice on the Port Authority in accordance with the terms set forth in Section 92;

(f) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Reletting Rights under the Leasehold Mortgage;

(g) the effective date of the letting, pursuant to Section 92, of the Premises (whether for the full term of the Port Authority Lease or otherwise) to a Qualifying Replacement Tenant, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Reletting Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of the Lease Assignment/Assumption Commencement Date;

(h) the Lease Assignment/Assumption Commencement Date; and

(i) the expiration or earlier termination or cancellation of the Foreclosure Period.

Defaults. The Port Authority Consent provides that any breach or default of any of the terms and conditions of the Port Authority Consent by the Company constitutes a material breach of the Port Authority Lease and permits the Port Authority to terminate the Port Authority Lease in accordance with its terms, unless the Company has cured such breach or default within 30 days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligations requires activity over a period of time, and the Company has commenced to perform whatever may be required for fulfillment within 30 days after receipt of notice and continues such performance without interruption except for causes beyond its control).

Summary of Certain Provisions of the Leasehold Mortgage

Subject to Port Authority Lease and Consent. The Leasehold Mortgage is given in accordance with, and pursuant to, subject to, controlled by and dependent upon, the Port Authority Lease, including without limitation Section 92 and the Port Authority Consent.

Mortgaged Property. Upon the satisfaction of the Reletting Rights Effective Date Conditions, the Company will execute, deliver and record the Leasehold Mortgage, creating a lien on the Company's interest in the Mortgaged Property. The "*Mortgaged Property*" consists of (a) the leasehold estate held by the Company in real and personal property under, and created by, the Port Authority Lease (including all holdover, month-to-month and statutory tenancies arising out of the Port Authority Lease), (b) all modifications, extensions and renewals of the Port Authority Lease and (c) all casualty and condemnation compensation or insurance payments to which the Company may become entitled and which are not required to be used for the rebuilding of the Premises or to be paid to or retained by the Port Authority or the City.

Leasehold Mortgage Default. The term "Leasehold Mortgage Default" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

Remedies and Rights. At any time while a Leasehold Mortgage Default remains uncured, at the option of the Leasehold Mortgagee, to be exercised in accordance with the applicable provisions of the Indenture and Section 92, the Leasehold Mortgagee may pursue the following remedies:

(i) *Foreclosure.* The Leasehold Mortgagee may institute any one or more actions of mortgage foreclosure against the Mortgaged Property, or take such other action at law or in equity for the enforcement of the Leasehold Mortgage and realization on the security therein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for payment of the obligations due under the Company Guaranty and the AMR Guaranty which are secured by the Leasehold Mortgage (the "*Secured Obligations*"), together with interest from the date of default at the rate then in effect under the Indenture, and all costs of suit and attorneys' fees and expenses. The Company, for itself and anyone claiming by, through or under it, agrees that the Leasehold Mortgagee shall in no manner, in law or in equity, be limited, except as therein provided and as provided in Section 92, in the exercise of its rights in the Mortgaged Property or in any other security thereunder or otherwise appertaining to the Secured Obligations, whether by any statute, rule or precedent which may otherwise require said security to be marshaled in any manner, and the Company, to the extent permitted by law, for itself and others as described above, expressly waives and releases any right to or benefit thereof. The failure to make any tenant or subtenant a defendant to a foreclosure proceeding shall not be asserted by the Company as a defense in any proceeding instituted by the Leasehold Mortgagee to collect the Secured Obligations or any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

(ii) *Excess Monies.* Subject to, controlled by, and dependent upon Section 92, and the Port Authority Consent, the Leasehold Mortgagee may apply on account of the Secured Obligations any unexpended monies still retained by the Leasehold Mortgagee that were paid by the Company to the Leasehold Mortgagee or the Trustee in accordance with the Indenture (A) for the payment of, or as security for the payment of, taxes, assessments or other governmental charges, insurance premiums or any other charges or (B) to secure the performance of some act by the Company.

(iii) *Remedies Under Section 92.* Subject to, controlled by and dependent upon Section 92 and the Port Authority Consent, the Leasehold Mortgagee may pursue any remedies set forth in Section 92, including its right to relet the Premises, in accordance with and subject to Section 92.

(iv) *Other Remedies.* Subject to, controlled by and dependent upon Section 92 and the Port Authority Consent, the Leasehold Mortgagee shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by the Company and/or AMR under the terms of the Company Guaranty and/or the AMR Guaranty, as they become due, without regard to whether or not any other liabilities shall be due, and without prejudice to the right of the Leasehold Mortgagee thereafter to bring an action of mortgage foreclosure, or any other action, for any default by the Company existing at the time the earlier action was commenced.

Performance of Obligations. The Company will perform all of its obligations under the Port Authority Lease (including without limitation its Obligations under Section 92) and the Port Authority Consent and the IDA Lease Agreement notwithstanding the existence of the Leasehold Mortgage. The Company shall neither modify, amend, supplement or extend Section 92 of the Port Authority Lease, nor enter into any amendment of the Port Authority Lease which shall only affect a Qualifying Replacement Tenant without affecting the originally named Company, without the prior consent of the Leasehold Mortgagee in each case. The Company shall not enter into any termination agreement with respect to the Port Authority Lease, surrender the leasehold estate created by the Port Authority Lease nor abandon the Premises.

Release of Part of Mortgaged Property. If the Leasehold Mortgagee and the Port Authority wish to eliminate certain portions of the Premises from the Port Authority Lease, such property may be released from the Leasehold Mortgage in accordance with Section 15 of the Leasehold Mortgage.

A *"Minor Release"* is a release of part of the Premises with respect to which, together with the parts of the Premises previously released, the Company certifies will not have a material adverse effect on the use of the remaining Premises as a passenger terminal facility comparable to the passenger terminal facility on the Premises immediately prior to such release. A Minor Release will be permitted only if (a) the Company has provided the Leasehold Mortgagee and the Agency with a certificate stating that such release meets the conditions described in the immediately preceding sentence and clauses (b) and (c) of this paragraph, (b) at the time of such Minor Release there exists no uncured Leasehold Mortgage Default or event which, with the passage of time or the giving of notice or both, would constitute a Leasehold Mortgage Default,

(c) simultaneously with such release, the parcel which is the subject of such Minor Release shall be eliminated from the Port Authority Lease and (d) the Company shall have delivered to the Leasehold Mortgagee a Favorable Opinion of Bond Counsel.

A *"Major Release"* (any proposed release that is not a Minor Release) will be permitted only if the Company shall cause the conditions applicable to a Minor Release to be satisfied (other than the delivery of certification described in the first sentence of the immediately preceding paragraph), and shall pay to the Leasehold Mortgagee a release price equal to the amount that bears the same ratio to the then outstanding principal amount of the Bonds secured by the Leasehold Mortgage as the Allocable Revenues bear to the Total Revenues. The Company shall provide to the Leasehold Mortgagee an appraisal, engineering or similar consultant's report prepared by an independent nationally-recognized airport engineering, traffic or consulting firm selected by the Company which shall specify the portion of the total annual revenues (the *"Total Revenues"*) attributable to the Premises which are reasonably estimated to be allocable to the proposed released property (the *"Allocable Revenues"*). In preparing such report, such consultant may look at historic or projected revenue amounts, or both, in its professional judgment.

Subordination; Creation of Liens and Indebtedness; Sale of Mortgaged Property. The lien of the Leasehold Mortgage is subordinate to the fee estate held by the City in the Premises (as affected by the City Attornment Agreement) and to the leasehold estate held by the Port Authority. Subject to, controlled by and dependent upon the Port Authority Lease and the Port Authority Consent, the Company shall not (x) create or suffer to be created any lien or charge upon or pledge of the Mortgaged Property or any part thereof except the lien, charge and pledge created by the Leasehold Mortgage and Permitted Encumbrances, (y) incur any indebtedness or issue any evidences of indebtedness, other than the Company Guaranty, secured by a lien of the Mortgaged Properly or (z) sell, convey, transfer, lease, mortgage or encumber the Mortgaged Property or any part thereof except as specifically permitted under the Port Authority Lease, the Port Authority Consent, the IDA Lease Agreement, the Indenture and the Leasehold Mortgage, so long as the Leasehold Mortgage is in effect.

Defense of Leasehold Estate. The Company shall defend the leasehold estate of the Company in and to the Mortgaged Property and every part thereof for the benefit of the Holders of the Bonds, and the Company agrees to warrant and defend such leasehold estate against the claims and demands of all persons.

Term. Notwithstanding anything to the contrary contained in the Leasehold Mortgage, the Leasehold Mortgage shall terminate no later than 11:59 p.m. on December 31, 2015 unless (a) it has previously been terminated or (b) the Port Authority Lease is extended in accordance with its terms, in which event the Leasehold Mortgage shall continue in effect until 11:59 p.m. on the new current expiration date of the Port Authority Lease.

City Approval. The Company and the Leasehold Mortgagee acknowledge and agree that the form of the Leasehold Mortgage has not been approved or consented to by the City or any entity claiming under, by or through the City (other than the Port Authority to the extent

provided in the Port Authority Consent) and is not binding on the City or any entity claiming under, by or through the City.

APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT

The following is a brief summary of certain provisions of the Agreement Towards Entering Into a Lease and the City Attornment Agreement and does not purport to be comprehensive or complete. Reference is made to the Agreement Towards Entering Into a Lease and the City Attornment Agreement for the complete provisions.

Summary of Certain Provisions of the Agreement Towards Entering Into a Lease

General. The Agreement Towards Entering Into a Lease obligates the City, upon satisfaction of the conditions precedent specified therein and described in the next succeeding paragraph (i) to deliver, or cause to be delivered, to the Company on or before October 31, 2013 (subject to extension as provided therein, as it may be so extended, the *"Draft Delivery Date"*), a draft of a new lease or sublease for the Premises, and (ii) to negotiate or cause its designee to negotiate, in good faith, and to execute and deliver on or before December 31, 2014 (subject to extension as provided therein) a new lease or sublease of the Premises (which new lease or sublease is referred to in this Official Statement as the *"New City/American Lease"*).

Conditions Precedent. The obligation of the City to enter into the New City/American Lease is contingent upon the satisfaction of the following conditions precedent:

(a) No extension or renewal of the Basic Lease nor the entering into by the City and the Port Authority (directly or through one or more entities or affiliates) of a new lease of the Airport, whereby the term of the letting of the Airport to the Port Authority continues without interruption and is extended to a date subsequent to December 31, 2015 (such extended, renewed or new lease being herein referred to as the *"Extended Basic Lease"*), can have occurred, the stated expiration date of which is on or after the earliest to occur of (i) the day immediately preceding the 30th anniversary of the Redevelopment Work Completion Date and (ii) December 21, 2036 (such earlier date being herein referred to as the *"Maximum Port Authority Lease Expiration Date"*); or if an Extended Basic Lease shall have been entered into with a shorter stated expiration date, the Port Authority Lease shall have been extended to a date which is no earlier than four days and no later than one day before such shorter stated expiration date of the Extended Basic Lease;

(b) Fee title and ownership of the Airport cannot have been conveyed to the Port Authority or any affiliate thereof;

(c) All applicable governmental approvals for the New City/American Lease must have been granted;

(d) The Port Authority Lease cannot have been terminated prior to the stated expiration date thereof; *provided, however,* that the Port Authority Lease will not be

deemed terminated solely because of a termination of the Basic Lease if the City or its successor-in-interest (other than the Port Authority) has recognized the Company as its direct tenant and the Company has attorned to the City or its successor-in-interest (other than the Port Authority) as its direct landlord pursuant to the City Attornment Agreement;

(e) No (1) event of default, (2) Triggering Event, (3) any default or event which would permit termination of the Port Authority Lease (or the rights of American thereunder or the letting thereunder) or the exercise by the landlord of any dispossess remedy at law or equity or (4) the commencement of the exercise of any Reletting Rights on notice or otherwise (individually, a "*Port Authority Lease Event of Default*" and, collectively, "*Port Authority Lease Events of Default*") can have occurred which has not been remedied (*provided* that no waiver of the underlying circumstances thereof by the Port Authority will be effective without the City's consent);

(f) There cannot be outstanding any material default under the Port Authority Lease, or any event which, upon the giving of notice and/or the passage of time would ripen into a Port Authority Lease Event of Default, nor can the Company have committed or permitted any act or omission which would have constituted a material default under the Port Authority Lease or a Port Authority Lease Event of Default had the Port Authority not waived such default, event or underlying circumstance thereof without the City's written consent, which waiver may reasonably have a material adverse effect on the City, the Premises or the Airport at any time during the term of the New City/American Lease;

(g) No event of default can have occurred under the Indenture, the IDA Lease Agreement or any other document or instrument securing and/or evidencing the Bonds which has or could have resulted in the acceleration of any of the Bonds and which has not been remedied (other than an event of default caused by a failure by the Agency to perform a covenant or condition in any Bonds or the Indenture);

(h) The execution and delivery of the New City/American Lease, and the performance by the Company of its obligations thereunder, cannot constitute a breach of any covenant, representation or condition of the Port Authority Lease;

(i) The Project must have been completed, all of the Required Conditions must have been met and the Company must have invested at least (1) $283,000,000 by not later than December 21, 2003 and (2) $850,000,000 by not later than December 31, 2008 (through Bond proceeds or equity) in the Project (subject to *force majeure* delays in construction described in the Agreement Towards Entering Into a Lease, not to exceed four years in the aggregate);

(j) If improvements to the Premises have suffered major damage or destruction, such improvements must have been restored or the Company must be proceeding with due diligence to such restoration to the reasonable satisfaction of the City, *provided* that completion of the restoration at the Company's expense and to the

reasonable satisfaction of the City must be a requirement and covenant of the Company in the New City/American Lease;

(k) No representation or warranty under the Agreement Towards Entering Into a Lease can have been false or incomplete in any material respect when made, nor can any event of default under the Agreement Towards Entering Into a Lease have occurred which remains uncured after the applicable cure period; and

(l) No Change in Control with respect to the Company can have occurred without the City's prior written consent. For purposes of the Agreement Towards Entering Into a Lease, "*Change in Control*" has the same meaning as in the Port Authority Lease except that wherever "20%" is used in the definition of Change in Control in the Port Authority Lease, it will be deemed to be "10%" for purposes of the Agreement Towards Entering Into a Lease.

Possession. The City will not be liable to the Company if the City is unable to deliver possession of the Premises or perform its obligation under the New City/American Lease because the Port Authority continues to use or occupy the Premises, or refuses to vacate or surrender the Airport, or any portion thereof, after the stated expiration of the Basic Lease.

Obligation to Pay Rent. The Company is obligated to pay all rent and impositions under the New City/American Lease notwithstanding any failure by the City to give possession of the Premises to the Company or to perform its obligations under the New City/American Lease if the City is unable to do so because the Port Authority continues to use, occupy or possess the Premises, or otherwise continues to use, possess or occupy or refuses to surrender or vacate the Airport, or any portion thereof, after the stated expiration or earlier termination of the Basic Lease.

Events of Default. The following constitute events of default under the Agreement Towards Entering Into a Lease:

(a) the Company's failure to observe or perform any of the terms, conditions, covenants or agreements of the Agreement Towards Entering Into a Lease, and such failure continues for 30 days after receipt of written notice from the City, or if such failure cannot be remedied within 30 days, the Company's failure to proceed diligently to cure such failure;

(b) any material representation or warranty made by the Company therein is incomplete or incorrect in any material respect as of the time made or, with respect to continuing representations or warranties, as of the time to which it speaks;

(c) to the extent permitted by law, if the Company makes an assignment for the benefit of creditors;

(d) to the extent permitted by law, pursuant to Title 11 of the United States Code, the Company files a voluntary petition, a petition is filed against the Company and

an order for relief is entered, or the Company files a petition or an answer seeking, consenting to, or acquiescing in, any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other bankruptcy or insolvency statute or law, or seeks, or consents to, or acquiesces in, or suffers the appointment of, any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of the Company, or of all or any substantial part of its properties, or of the Premises or any interest of the Company therein, or the Company takes any membership, partnership or corporate action in furtherance of any action described in subparagraphs (c), (d), (e) or (h) of this paragraph;

(e) to the extent permitted by law, if within 60 days after the commencement of a proceeding against the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other bankruptcy or insolvency statute or law, such proceeding has not been dismissed, or if, within 120 days after the appointment, without the consent or acquiescence of the Company, of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of the Company, or of all or any substantial part of its properties, or of the Premises or any interest of the Company therein, such appointment is not vacated or stayed on appeal or otherwise, or if, within 120 days after the expiration of any such stay, such appointment is not vacated;

(f) if (i) the Port Authority Lease has been terminated prior to its stated expiration date, *provided, however,* that the Port Authority Lease will be deemed not to have been terminated solely because of a termination of the Basic Lease if the City or its successor-in-interest (other than the Port Authority) recognizes the Company as its direct tenant and the Company has attorned to the City or such successor-in-interest (other than the Port Authority) as its direct landlord pursuant to the City Attornment Agreement; (ii) a Port Authority Lease Event of Default has occurred which has not been remedied, *provided* that no waiver of the underlying circumstances thereof without the City's consent will be effective; (iii) there is outstanding a material default under the Port Authority Lease, or any other event, which upon the giving of notice and/or the passage of time could ripen into a Port Authority Lease Event of Default, *provided, however,* that the Company will have the right to cure such default or event under any applicable cure period, *provided* that no such cure period can extend beyond the Draft Delivery Date; or (iv) the Company commits or permits any act or omission which would constitute a material default under the Port Authority Lease or a Port Authority Lease Event of Default had the Port Authority not waived the same or the underlying circumstances thereof without the City's consent, which waiver may reasonably have a material adverse effect on the City, the Premises or the Airport at any time during the term of the New City/American Lease and which default or event is not, after notice from the City, remedied within the applicable time period permitted to cure such default or event under the Port Authority Lease, *provided, however,* that no such cure period can extend beyond the Draft Delivery Date;

(g) if an event of default occurs under the Indenture, the IDA Lease Agreement or any other document or instrument securing and/or evidencing any of the Bonds and has not been cured, remedied or waived;

(h) to the extent permitted by law, if the Company admits, in writing, that it is unable to pay its debts as such debts become due;

(i) if (i) a levy under execution or attachment is made against the Premises or any part thereof, the income directly attributable thereto, the Agreement Towards Entering Into a Lease or the rights created thereby and such execution or attachment is not vacated or removed by court order, bonding or otherwise within a period of 120 days from the Company's receipt of notice; or (ii) a levy under execution or attachment in an amount equal to or greater than $250,000,000 is made against the Company or any of its properties (other than the Premises or any part thereof, the income therefrom or the rights created thereby) and such execution or attachment is not vacated, discharged, dismissed or removed by court order, bonding or otherwise within a period of 120 days from the Company's receipt of notice thereof;

(j) if (i) certain principals or officers of the Company fail to submit to or cooperate with any investigation or update as required by the Agreement Towards Entering Into a Lease, or (ii) the City determines pursuant to any such investigation or update that such principal or officer is a Prohibited Person, or (iii) any 10% or greater shareholder of the Company is an airline company, or is wholly or substantially owned directly or indirectly by one or more airline companies, that is not permitted to operate as such in the United States;

(k) if the Company fails to have invested, or fails to have caused to have been invested, at least (i) $283,000,000 by not later than December 21, 2003; and (ii) $850,000,000 by not later than December 31, 2008 (through Bond proceeds or equity) in the Project (subject to delays in construction caused by *force majeure*, which may not exceed four years in the aggregate);

(l) if the Company fails to complete construction of the Project within the time provided in the Port Authority Lease;

(m) if a Qualifying Replacement Tenant has been obtained under the Port Authority Lease or a Nonapproved Successor Lessee Event has occurred. A "*Nonapproved Successor Lessee Event*" means an event pursuant to which, without the prior written consent of the City (such consent, during the Mortgagee Rights Period (as hereinafter defined), not to be arbitrarily or capriciously withheld), any person, firm or entity becomes or has the right to become a Qualifying Replacement Tenant or otherwise has the right to become the owner of or acquire any interest in all or any portion of the Company's interest in the Port Authority Lease or the leasehold estate created thereby pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the mortgagee of any reletting or surrender rights or otherwise or as the result of the purchase of a mortgage; and

(n) if the Port Authority exercises its rights under the Port Authority Lease to terminate the Leasehold Mortgage by paying to the Trustee an amount sufficient to pay principal of and interest on the Bonds as described in this Official Statement under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage.*"

Remedies; Termination by the City. If an event of default occurs under the Agreement Towards Entering Into a Lease, the City may elect to proceed by appropriate judicial proceedings, either at law or in equity, to enforce performance or observance by the Company of the applicable provisions of the Agreement Towards Entering Into a Lease for breach thereof. If (i) subject to the rights of the Trustee as Leasehold Mortgagee pursuant to the Agreement Towards Entering Into a Lease during the Mortgagee Rights Period (as hereinafter defined), an event of default occurs thereunder, or (ii) an Extended Basic Lease has been entered into, the stated expiration date of which is on or after the Maximum Port Authority Lease Expiration Date, or (iii) fee title and ownership of the Airport, including the Premises, has been conveyed to the Port Authority, or (iv) a Nonapproved Successor Lessee Event has occurred, or (v) the City and the Company have entered into the New City/American Lease, or (vi) the City and the Company have failed to enter into a New City/American Lease, then the City may, at its option, terminate the Agreement Towards Entering Into a Lease upon written notice to the Company, and the Agreement Towards Entering Into a Lease will expire upon delivery of such notice to the Company. Upon the occurrence of the events referred to in (ii), (iii) and (vi) above, the Agreement Towards Entering Into a Lease will automatically terminate.

"*Mortgagee Rights Period*" means the period of time between the Reletting Rights Effective Date, if any, and the first to occur of (i) the date of the redemption, cancellation, defeasance, discharge or payment of the Bonds, the repayment, or guarantee of repayment, of which has been secured by the Leasehold Mortgage, (ii) the termination, expiration or ending of the Reletting Rights or the Leasehold Mortgage, (iii) the date of termination or expiration of the Port Authority Lease (unless, with respect to a termination described in this subsection (iii) such termination is solely the result of the termination of the Port Authority Lease, and the City or its successor-in-interest has recognized the Port Authority Lease pursuant to the City Attornment Agreement and the rights of the Company thereunder, including its right to mortgage its leasehold to secure repayment, or the guarantee of repayment, of the Bonds), and (iv) the date of commencement of the New City/American Lease.

Upon any termination of the Agreement Towards Entering Into a Lease (whether on account of any reason permitted or enumerated by the Agreement Towards Entering Into a Lease or by operation of law or equity), all rights of the Company, of any Leasehold Mortgagee, and of any person, firm or entity claiming by, through or under the Company or the Leasehold Mortgagee (including, without limitation, any City Approved Successor Lessee, as hereinafter defined), and all obligations of the City thereunder terminate, and the City has the right to dispose, convey, lease, assign or transfer the Premises or enter into any agreement to do so without any restriction or limitation on or liability to the City whatsoever (subject to the provisions of the New City/American Lease if the Agreement Towards Entering Into a Lease is terminated as described in clause (v) of the second preceding paragraph and subject to the

provision described below under "*—Request for and Execution of New Agreement*" regarding a request to the City by the Leasehold Mortgagee to enter into a new Agreement with a City Approved Successor Lessee, if applicable upon a termination of the Agreement Towards Entering Into a Lease as described in clause (i) of the second preceding paragraph).

A "*City Approved Successor Lessee*" means a Qualifying Replacement Tenant, who is not a Prohibited Person (or other person, firm or entity with whom or which the City will not then generally do business), approval of whom or which has been sought by the Leasehold Mortgagee at least 60 days prior to the appointment of such Qualifying Replacement Tenant, and written approval of whom or which has been given by the City and delivered to the Leasehold Mortgagee, it being understood and agreed that the City will not arbitrarily or capriciously withhold, or unreasonably delay (a period of less than 60 days after receipt of all reasonably relevant information being considered reasonable), its approval.

Leasehold Mortgagee's Termination Rights. The City and the Company agree that the Company will not be permitted to terminate the Agreement Towards Entering Into a Lease without the consent of the Trustee, as Leasehold Mortgagee, except for a termination by reason of failure of the City and the Company to negotiate, execute or deliver the New City/American Lease. During the Mortgagee Rights Period the City will accept performance by the Trustee of any covenant, condition or agreement on the Company's part under the Agreement Towards Entering Into a Lease, except for the obligation to negotiate, execute and deliver the New City/American Lease, with the same force and effect as though performed by the Company, provided that such performance by the Trustee constitutes performance in full of such covenant, condition or agreement, with no allowances being made for the fact that the Trustee does not have possession of the Premises.

If during the Mortgagee Rights Period the Agreement Towards Entering Into a Lease is terminated solely by reason of an event of default thereunder (excluding a termination by reason of a failure of the City and/or the Company to negotiate, execute and deliver the New City/American Lease), the City will give prompt notice thereof to the Trustee as Leasehold Mortgagee. If such event of default is capable of cure by the Trustee without possession of the Premises, such termination will not be effective until 30 days after delivery of such notice, unless the Trustee notifies the City in writing within such 30 day period of its intention to cure such event of default. The Trustee will then have 60 days to cure the event of default from the date it delivers such cure notice to the City. If the event of default is not cured within such 60 day period, the City may then terminate the Agreement Towards Entering Into a Lease with written notice to the Trustee.

Request for and Execution of New Agreement. If, within two years after the receipt of the City's notice to the Trustee as Leasehold Mortgagee as described in the immediately preceding paragraph that the Agreement Towards Entering Into a Lease has been terminated solely by reason of an event of default (other than by reason of the exception described in said paragraph), the Trustee requests the City to enter into a new Agreement with a City Approved Successor Lessee, then, within 60 days after the City has received such request, the City will execute and deliver a new Agreement with the City Approved Successor Lessee. The new Agreement will contain all of the covenants, conditions, limitations and agreements contained in the Agreement

Towards Entering Into a Lease (including, without limitation, the obligation to enter into a new City Attornment Agreement) (with such reasonable modification thereof to reflect the fact that the new Agreement and new City Attornment Agreement are with a successor lessee), *provided* that the City will not be deemed to have represented or covenanted that such new Agreement or City Attornment Agreement shall be superior to claims of the Company, its creditors or a receiver or trustee for the Company. In no event will the City be required to (A) enter into a new Agreement or new City Attornment Agreement (i) after the date which is 90 days before the Draft Delivery Date or (ii) with any person, firm or entity which does not have possession of the Premises as tenant under the Port Authority Lease or (iii) if an event has occurred (other than the event giving rise to the termination of the original Agreement Towards Entering Into a Lease) which has or would permit (or would have permitted if the Agreement Towards Entering Into a Lease were still in effect) the City to terminate the Agreement Towards Entering Into a Lease or such new Agreement or new City Attornment Agreement or (B) enter into a new City Attornment Agreement after the Basic Lease has terminated as described in the City Attornment Agreement or (C) enter into a new Agreement after a New City/American Lease has been entered into (even if the letting thereunder is not yet effective).

The provisions described in the immediately preceding paragraph notwithstanding, the City will not be obligated to enter into a new Agreement with a City Approved Successor Lessee unless the City Approved Successor Lessee (i) except in the case of an event of default described in subparagraphs (b) through (e), (g) through (j), and (m) above under "—*Events of Default*," promptly after receipt from the City of its statement of the default(s) required to be cured, cures all such default(s) then existing under the Agreement Towards Entering Into a Lease (as though the Agreement Towards Entering Into a Lease had not been terminated), or if such default is not susceptible to prompt cure, diligently prosecutes cure of such default, as applicable, and (ii) delivers to the City a statement, in writing, acknowledging that the City, by entering into such new Agreement with such City Approved Successor Lessee will not have or be deemed to have waived any defaults or events of default then existing under the Agreement Towards Entering Into a Lease or existing immediately before termination of the Agreement Towards Entering Into a Lease (other than the defaults or events of default described in subparagraphs (b) through (e), (g) through (j), and (m) above under "—*Events of Default*," which the City will be deemed to have waived) notwithstanding that any such defaults or event of default existed prior to the execution of such new Agreement and that the breached obligations which gave rise to the defaults or event of default are also obligations under such new Agreement.

Indictment. If any grand jury files an indictment charging the Company or certain principals or officers of the Company with having committed an intentional felony in connection with the Project, or any related matter, then the City is required to convene a hearing. Such hearing will be held not less than forty 45 days after written notice has been given to the indicted party and the Company to determine whether it is in the best interest of the City to require the indicted party to assign its interest in the Agreement Towards Entering Into a Lease or in the Company.

Any failure of the indicted party, following a conviction, to assign its interest in the Agreement Towards Entering Into a Lease or in the Company to an assignee reasonably

satisfactory to the City will be deemed a default under the Agreement Towards Entering Into a Lease.

Disposition of the Airport. The City may (i) transfer and dispose of any interest in, and/or make alternative arrangements for the operation and/or management of all or any portion of the Airport, including the Premises and (ii) assign or delegate to another person or entity succeeding to the rights or interests of the City with respect to the Premises, without recourse, all or any rights and obligations of the City under the Agreement Towards Entering Into a Lease, *provided* that such transferee, manager, operator or assignee takes its interest subject to the Agreement Towards Entering Into a Lease.

Covenants of the Company. The Company has agreed to take the Premises in "as-is" condition and waives any claim against the City on account of any physical defect or defect in title to the Premises. The City makes no representations or warranties during the term of the Agreement Towards Entering Into a Lease, nor does it make any representations or warranties in or during the term of the New City/ American Lease, as to the condition or state of title with respect to the Premises, including, without limitation, the existence or non-existence of any liens or encumbrances or conditions or defects in title. The Company expressly agrees that it will take its leasehold interest under the New City/American Lease subject to the then existing state of title.

The Company has agreed that the City has been out of possession and control of the Airport, inclusive of the Premises, and that the Port Authority has been in possession and control of the Airport, since the commencement of the Basic Lease, and that such possession and control by the Port Authority will continue until the surrender by the Port Authority of the Airport to the City. Further, the Company stipulates and agrees that the Company has been in possession and control of Terminal 8 on the Premises since April 11, 1956 and of Terminal 9 on the Premises since December 1, 1989 and that such possession and control will continue throughout the term of the Port Authority Lease and throughout the term of the New City/American Lease.

The Company has agreed that the City makes no representation or warranty of the legality of the use of the Premises for the purposes contemplated in the Port Authority Lease or in the Agreement Towards Entering Into a Lease, or that all discretionary or non-discretionary public approvals necessary for the City to execute and deliver the New City/American Lease have been obtained or that all procedures requisite to such execution and delivery have been satisfied. The Company has agreed that the City has made no representation or warranty (i) regarding as to which, if any, public approvals are requisite to the execution and delivery of the New City/American Lease, and (ii) that any necessary public approvals have been obtained or are obtainable for the execution and delivery of the New City/American Lease.

The Company has agreed to and with the City that it will invest, or cause to have been invested, at least (i) $283,000,000 by not later than December 21, 2003; and (ii) $850,000,000 by not later than December 31, 2008 (through Bond proceeds or equity) in the Project (subject to delays in construction caused by *force majeure*, which may not exceed four years in the aggregate). The Company has further agreed that the development and construction of the

Project will be financed only by (i) the Company's own equity, (ii) the Bonds and (iii) general corporate debt which is unsecured by the Project.

The Company has agreed to cooperate in studies conducted by the City and with City proposals to mitigate impacts of the Project. The Company has represented that it has obtained an environmental liability policy providing environmental liability coverage for the period of construction of the Project and a pollution legal liability site policy for environmental liabilities at the Premises. The Company has covenanted to cause the City to be named as an additional insured on such policies. The Company has covenanted that it will comply with the terms and conditions of the Port Authority Lease relating to environmental matters at the Premises.

The City and the Company agree to cooperate in good faith with each other to obtain all applicable governmental approvals for the New City/American Lease, it being understood that such covenant and agreement on the part of the City is made, and such cooperation will be, solely in its proprietary capacity and not in its governmental capacity.

Indemnification. The Company has agreed to indemnify and hold the City harmless from and against any damages, expenses (including reasonable attorneys' fees), and liability arising from the claims of any broker, finder, consultant, person, firm or corporation, based upon or alleging negotiations, dealings or communications with the Company or its representatives.

The Company has agreed to indemnify and hold harmless the City and its officials, officers, agents, representatives and employees from and against any and all liabilities, claims, demands, penalties, fines, settlements, damages, costs, expenses and judgments (i) except for gross negligence or intentional misconduct on the part of the City, for personal injury or property damage in connection with, or arising out of events occurring on or at or in connection with, the Premises or the Agreement Towards Entering Into a Lease, including any liability which the City may have to the Port Authority on account of, or in connection with, the Agreement Towards Entering Into a Lease, the City Attornment Agreement or the New City/American Lease or (ii) in connection with hazardous materials stored, disposed of, released or present at the Premises.

Assignment by the Company. The Agreement Towards Entering Into a Lease may not be assigned, transferred, pledged or otherwise encumbered by the Company without the written consent of the City, which consent will be given or withheld in the City's sole and absolute discretion, *provided, however,* that the Agreement Towards Entering Into a Lease may be assigned in its entirety without such consent to any successor in interest of the Company which is or is to be a Scheduled Aircraft Operator (*provided* that such operator is not a Prohibited Person), and with or into which the Company has merged or consolidated, or which has succeeded to the assets of the Company or the major portion of its assets related to its air transportation system, but in any such event, such assignment will not take effect before the assignee is actually engaged in the business of scheduled transportation by aircraft, and *provided, further,* that such succeeding entity or purchaser satisfies the financial tests set forth in the Port Authority Lease and/or provides the consent security deposit as required, and executes and delivers to the City an instrument in a form satisfactory to the City assuming the obligations of the Company as if it was the original party to the Agreement Towards Entering Into a Lease.

Summary of Terms of the New City/American Lease. The Agreement Towards Entering Into a Lease provides that the New City/American Lease will contain, among other terms, the following basic terms, and, at the option of the City or its designee, more particular and such additional terms and conditions as the City (or its designee) deems appropriate in good faith. All references to the City in the following section include any such designee.

- The New City/American Lease is to expire on the earlier of (i) the day immediately preceding the 30th anniversary of the Redevelopment Work Completion Date and (ii) December 21, 2036 (the *"Stated Expiration Date"*).

- Ground rent is to be in the amount payable immediately prior to the expiration of the Port Authority Lease, increased annually, starting as of the commencement date of the New City/American Lease, by an amount equal to the greater of (a) 4% or (b) one-half of the increase in the consumer price index over the immediately preceding lease year. The Company is to pay to the City rent on improvements located at the Premises in the same amounts as would have been payable under the Port Authority Lease if the Port Authority Lease had been extended and was still in effect, *provided however,* that such amount may not be less than the fair market rental, determined by appraisal, and abated, or escalated, by the same percentage which rental would have been abated or escalated, if any, if the Port Authority Lease had been extended and was still in effect. The Company is also required to pay to the City all other rental of a type payable under the Port Authority Lease (including, without limitation, handling fees, and all rental associated with advertising, concessions, the retail program, and consumer services), in amounts not less than such amounts to be paid under the Port Authority Lease.

- If during the period of the New City/American Lease it is customary for ground tenants or ground subtenants of terminals at the Airport, or for persons otherwise having occupancy rights at terminals at the Airport which rights are of comparable magnitude as the Company, to pay real property taxes or to make payments in lieu of real property taxes, then the Company will pay (as rental or as otherwise directed by the City) to the City all real property taxes assessed and levied against the Premises or, if the Premises are exempt from the payment of real property taxes, payments in lieu thereof, in the full amount which would have been payable as real property taxes if the Premises were not exempt from real estate taxes. Similarly, if it is customary for such ground tenant, subtenant or person to pay any impositions (as described in the Agreement Towards Entering Into a Lease) or make payments in lieu thereof, the Company will pay said impositions or make payments in lieu thereof.

- The New City/American Lease is required to provide for appropriate rent abatement in the event of substantial restrictions on use or reduction in the size of the Premises, as a consequence of condemnation or governmental action over which the Company has no control.

- The Company will be required to comply with all applicable laws, including all building codes and permit requirements, all FAA rules and the City's rules respecting similar facilities at the Airport. The Company will be required to operate the property in a non-discriminatory

manner and continue the affirmative action program under applicable federal law and regulations. The Company will also be required to render the Premises legal for occupancy in accordance with applicable law within definitive time periods as set forth in the New City/American Lease.

- The Company will be required to repair, clean and maintain the Premises or cause them to be repaired, cleaned and maintained. At the City's option, condition surveys of the Premises will be performed by the Company, the frequency and scope of which, as well as the determination of a qualified third party to conduct the survey, to be negotiated by the parties in good faith and included in the New City/American Lease. The Company will be required to comply with all recommendations of such surveys and to be responsible for the cost of preparing such surveys.

- The New City/American Lease is to contain condemnation, casualty and destruction provisions, without limitation, that are then usual and customarily included in leases from the City to a tenant for similar IDA bond-financed projects, including, without limitation, the City's agreement to make any insurance proceeds available to, at the City's option, either (a) restore the Premises or (b) if the New City/American Lease is terminated, retire or defease the Bonds.

- The New City/American Lease is to contain insurance and indemnity provisions and coverage amounts which are appropriate in the City's determination in good faith for the size and nature of the operations being conducted at the Premises as well as the City's potential liability or financial exposure. Such insurance and indemnity provisions to be included in the New City/American Lease are to be at least as protective of the City as such provisions are protective of the Port Authority in the Port Authority Lease, it being understood and agreed, however, that the City is not agreeing to such provisions and reserves the right to reject any of them in whole or in part. To the extent the insurance and indemnity provisions are more protective of the City than of the Port Authority in the Port Authority Lease, and the added cost thereof is prohibitive or, in the Company's good faith judgment, not reasonably supportable economically by the Project, the parties may treat the New City/American Lease negotiations as having failed after good faith efforts, thereby terminating the Agreement Towards Entering Into a Lease.

- The City has not consented to the Leasehold Mortgage, nor any other mortgage, lien, pledge, encumbrance or security interest in connection with the Port Authority Lease; neither the Leasehold Mortgage, nor any other mortgage, lien, pledge or encumbrance on or in connection with the Port Authority Lease will be effective with respect to, or will encumber or burden, any New City/American Lease, the estate or interest of the City in the Premises, or any property located thereon or therein, nor will the City be required to recognize or permit any of the foregoing. The Company cannot sell, convey, transfer, mortgage, pledge, assign or sublet the leasehold or the Premises. Notwithstanding the foregoing, and provided that (i) the Reletting Rights Effective Date has occurred under the Port Authority Lease, (ii) the Leaseholder Mortgage and/or the Reletting Rights have not terminated, expired or ended under the Port Authority Lease, and (iii) the Mortgagee Rights Period did not terminate or expire prior to the expiration of the Port Authority Lease, the City agrees not to unreasonably

withhold its consent to a new leasehold mortgage and associated reletting rights in favor of the Trustee (who is not a Prohibited Person) negotiated in good faith as part of the negotiation for the New City/American Lease, it being understood that the City may in good faith have different, but reasonable requirements, than the Port Authority's requirements and/or may, at its option, insist on any or all of the provisions of the Leasehold Mortgage and Reletting Rights and on all or any of the protections afforded the Port Authority in connection with the Leasehold Mortgage and associated Reletting Rights or elsewhere. Any consent by the City to a leasehold mortgage, reletting rights or the exercise of such rights, will require payment of various fees to the City, including but not limited to those payments, in substantially the same terms and amounts, as set forth and defined in the Port Authority Lease as Deferred Reletting Fee or Deferred Reletting Fee Rental and Deferred Reletting Fee Payment Amount, Leasehold Mortgagee's Notice of Termination Effective Date First Extension Fees, Leasehold Mortgagee's Notice of Termination Effective Date Second Extension Fees, and Leasehold Mortgagee's Foreclosure Period Payments including Leasehold Mortgagee's Foreclosure Period Commencement Payments, Leasehold Mortgagee's Foreclosure Period Current Basis Payments and Foreclosure Period Extension Fee. The City may require fees as a condition of its approval of any proposed sublease. Reasonable exceptions for assignments to affiliates and as a result of mergers/consolidations will be included, it being understood that the City's provisions regarding Prohibited Persons and persons with whom the City will not generally do business will be adhered to at the City's option. Security deposits will be required for all assignments not meeting minimum financial conditions, to be specified in the New City/American Lease.

- The Company is not to permit a "Change in Control" of the Company without the City's prior written consent.

- Default provisions are to include, with respect to monetary defaults, a cure period of 20 days after receipt of written notice from the City and, with respect to non-monetary defaults (other than insolvency and bankruptcy types of defaults as to which there may be no notice or cure period), a cure period of 30 days after receipt of written notice from the City (which cure period, if such default, other than for bankruptcy or insolvency types of defaults, is not susceptible of cure within said 30-day period, may be extended to the extent necessary to complete such cure *provided* that the Company has commenced such cure within said 30-day period and diligently pursues such cure to completion). If the Company fails to cure any default within the applicable periods, the City will have the right, without limitation, to terminate the New City/American Lease.

- The Company will be required to seek to maximize its use of the air passenger facility at the Premises (based on then current levels at the Airport) and to seek to keep the Premises fully occupied and used.

- The City will have the right, but not the obligation, to sell and furnish to the Company, or cause to be sold and furnished to the Company, electricity, water and sewage services. If the same is not supplied by the City, the Company will be required to arrange for such services directly with the provider. The Company will be responsible for costs of all underground utilities affected by the Project and the cost of any additional capacities required to be

installed by the City or its successors in connection with the Company's operations at, or use or possession of, the Premises.

- The Company will be required to comply with any applicable governmental or regulatory environmental requirements with respect to the operation of the Premises and with respect to any hazardous materials introduced in or on the Premises from and after the date on which possession of the Premises was initially delivered to the Company. The Company will be required to deliver to the City, prior to execution of the New City/American Lease a complete environmental report with respect to the environmental condition of the Premises. The Company will be required to comply with all its environmental obligations contained in the Port Authority Lease. The Company will be required to provide the City with an appropriate environmental indemnity.

- The Company will be required to operate a "premier world class" retail program defined as one that consistently scores within the top ten percent of industry recognized surveys. If the Company has an asset manager or retains a developer of its concessions program, it will absorb all associated costs. In such event, the asset manager or developer and any of its affiliates may not operate or have an equity ownership in any concession at the Premises. The Company is required to deliver the Premises to all future concessionaires inclusive of utilities brought to the site and demising walls. The City and the Company will conduct an annual joint review of its comprehensive retail plan, including the determination as to appropriate modifications.

- The Company will be required to actively participate in any customer service initiatives that the City may undertake. The Company will be required to provide services at the Premises for the benefit of the traveling public in a manner consistent with any airport standards which are developed by the City in consultation with the airlines for first-class airport terminals. The Company will be required to cooperate with the City and other airlines serving the traveling public at the Airport in maintaining these airport standards through working groups and other means to be negotiated by the parties.

- To the extent not done prior to commencement of the New City/American Lease, the Company will be required to be responsible for relocating all underground utilities affected by its operations at, or use or possession of, the Premises and the cost of any additional capacities required to be installed. Utilities will be at the Company's expense and of a nature and from a source to be negotiated by the parties in light of the then existing utilities structure at the Airport.

- The Company has agreed to the construction and operation of a passenger station on the Premises. The Company will permit the construction of the station, connector and guideway structures on the Premises. The Company will provide and be responsible for the vertical circulation in or adjacent to the terminal and appropriate signage in the terminal and Premises which will be appropriate to the operation of AirTrain or any other means of mass transit to be developed for the Airport. The Company also agrees to use the system (or any such successor) when it is completed. Any changes to the station/connector design will be at the Company's expense.

- The New City/American Lease will contain conditions (waivable in the City's sole and absolute discretion) which must be satisfied by the Company at all times after execution and immediately prior to the effectiveness of the letting under the New City/ American Lease, it being understood that such conditions will be substantially similar to the Conditions Precedent described above under "*—Conditions Precedent*" with such reasonably appropriate modifications and supplements as the City reasonably deems necessary in light of then existing circumstances.

Summary of Certain Provisions of the City Attornment Agreement

Pursuant to the City Attornment Agreement, the City and the Company have agreed that in the event of a termination of the Port Authority Lease as described in the next succeeding paragraph, then the Company will attorn to the City and recognize the City as its landlord, and the City will accept such attornment, and the Port Authority Lease will continue as a direct lease between the Company and the City in accordance with its terms. Such attornment will provide the City with all rights of the Port Authority under the Port Authority Lease, and the Company will be obligated to the City to perform all of the obligations of the Company thereunder. In addition, the Company will provide or cause to be provided to the City all the protections afforded the Port Authority under the Port Authority Consent (the "*Consent Protections*"). Such attornment and Consent Protections will be effective and self-operative as of the date of the termination of the Port Authority Lease without the execution of any further instrument. Additionally, the City has agreed that neither the Company Sublease, nor the IDA Lease Agreement will terminate, nor the rights of any landlord or the Company thereunder be disturbed or terminated on account of a termination of the Basic Lease.

Subject to the other provisions of the City Attornment Agreement (i) if the Basic Lease is terminated prior to its stated expiration date, the Port Authority Lease will continue as a direct lease between the Company and the City in accordance with its terms and the Port Authority Lease will not be deemed terminated for any purpose other than as regards the Port Authority (*provided* that at the time of the Basic Lease termination, unless waived by the City in its sole and absolute discretion, no Triggering Event has occurred, the Company is not a Prohibited Person and has not defaulted under the Port Authority Lease and no event exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, and *provided further* that the Company is still tenant under the Port Authority Lease and no event has occurred which would permit the commencement of the exercise of the Reletting Rights on notice or otherwise and no Qualifying Replacement Tenant has been appointed). As of the date of termination of the Basic Lease, the City agrees it will recognize the Port Authority Lease and the rights of the Company thereunder (including without limitation its rights to mortgage its leasehold as provided therein to secure repayment, or the guarantee of repayment, of the Bonds (a mortgage thus granted for such purpose being referred to herein as a "*Mortgage*")) and to not disturb the Company's possession of the Premises.

Neither the City, nor any of if designees, will be (a) liable for any act or omission of any prior landlord under the Port Authority Lease except for acts or omissions that are then continuing and are subject to being cured by the City; (b) subject to any counterclaims, offsets or defenses which the Company may have against the prior landlord under the Port Authority

Lease: (c) bound by any advance payment of rent or other charges payable under the Port Authority Lease: (d) bound by any obligation, with certain exceptions, to make any payment to the Company under the Port Authority Lease: (e) bound by any modification or amendment of the Port Authority Lease which reduces the rent payable under the Port Authority Lease or any other charges payable thereunder or shortens or lengthens the term thereof, or otherwise adversely affect the rights of the landlord thereunder or amends the Reletting Rights or similar rights afforded to any mortgagee, unless the City has given its written consent; (f) liable for any environmental hazards at the Premises; (g) obligated to repair or restore the Premises if a condemnation occurs; (h) subject to any cancellation or termination rights requiring payment by the landlord of a fee or penalty for such cancellation or termination, unless the City voluntarily exercises such right for other than a casualty or condemnation; (i) obligated to recognize, permit or be subject to, (A) any mortgage, lien, claim, encumbrance or security interest which is not a Qualified Mortgage (as hereinafter defined) or any rights or purported rights thereunder or (B) any Reletting Rights or similar type of rights other than by a Permitted Mortgagee (as defined below) in connection with a Qualified Mortgage held by such Permitted Mortgagee; or (j) obligated to recognize any rights of the Company, or anyone claiming by, through or under the Company, (including without limitation, any mortgagee) after the earlier of (A) the Fixed Expiration Date or the Basic Lease and (B) the Expiration Date of and as defined in the Port Authority Lease, subject to earlier termination. A *Qualified Mortgage* means a Mortgage (i) which by its terms does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the City in the Premises or any property located therein or thereon, (ii) which includes a provision stating that "This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument this provision shall prevail," and (iii) is held by a Permitted Mortgagee. A *Permitted Mortgagee* means The Bank of New York or another trustee who is not a Prohibited Person who has been appointed pursuant to and in accordance with the Indenture and to whom the prior Permitted Mortgagee has assigned or transferred the Qualified Mortgage.

Upon the request of either the Company or the City, the other party shall promptly execute and deliver to the other an agreement in recordable form evidencing the recognition and attornment of the City Attornment Agreement.

Notwithstanding any other provision of the City Attornment Agreement, neither the City nor any of its agencies is required to recognize the Company or its otherwise permitted successor-in-interest as the City's direct tenant under the Port Authority Lease if the Company or such otherwise permitted successor-in-interest is a Prohibited Person.

The City is not liable for damages or restitution to the Company if the City is unable to deliver possession of the Premises or unable to perform its obligations under the Port Authority Lease because the Port Authority continues to use or occupy the Premises or refuses to vacate any portion of the Airport after the termination of the Basic Lease. Notwithstanding any failure by the City to give possession of the Premises to the Company or to perform its obligations under the Port Authority Lease, the Company remains obligated to pay all rental and impositions under the Port Authority Lease to the City.

The City Attornment Agreement will terminate upon any termination of the Agreement Towards Entering Into a Lease for any reason whatsoever, other than (i) solely because of the entry into a New City/American Lease or (ii) the entry into an Extended Port Authority Lease the stated expiration date of which is on or after the Stated Expiration Date. Further, in the event the City Attornment Agreement survives the termination of the Agreement Towards Entering Into a Lease due solely to such entry into a New City/ American Lease, the City Attornment Agreement will nevertheless terminate at the City's option if an event occurs thereafter which would have permitted termination of the Agreement Towards Entering Into a Lease or the City Attornment Agreement if the Agreement Towards Entering Into a Lease were still in effect, or an event occurs permitting termination (or constituting a failure of a condition to the effectiveness) of the New City/American Lease. Upon any termination of the City Attornment Agreement, all rights and obligations thereunder, will terminate, and the City's right to dispose, convey, lease, assign or transfer the Premises or enter into any agreement to do so will not be restricted or limited by the City Attornment Agreement or any agreement or instrument entered into to evidence the terms of the City Attornment Agreement.

The City Attornment Agreement will inure to the benefit of the City and the Company and their respective permitted successors-in-interest and their permitted successors and assigns and will be binding upon the successor-in-interest of the parties hereto and their permitted successors and assigns. The Company may not assign the City Attornment Agreement or its rights or obligations thereunder except to a person, firm or entity which succeeds to it under the provisions of the Port Authority Lease, without the prior written consent of the City which may be given or withheld in its sole and absolute discretion.

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APPENDIX I

FORM OF OPINION OF BOND COUNSEL

July __, 2002

New York City Industrial
Development Agency
110 William Street
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings of the New York City Industrial Development Agency (the *"Agency"*), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York, and other proofs submitted to us relative to the issuance and sale of the $92,955,000* New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the *"Series 2002A Bonds"*); $96,590,000* New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the *"Series 2002B Bonds"*); $144,465,000* New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002C (American Airlines, Inc. John F. Kennedy International Airport Project) (the *"Series 2002C Bonds"*); and $165,990,000* New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002D (American Airlines, Inc. John F. Kennedy International Airport Project) (the *"Series 2002D Bonds"* and collectively with the Series 2002A Bonds, the Series 2002B Bonds, and the Series 2002C Bonds, the *"Series 2002 Bonds"*).

The Series 2002 Bonds are issued under and pursuant to (i) the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the *"Act"*); (ii) a Master Indenture of Trust, dated as of July 1, 2002 (the *"Master Indenture"*), as supplemented by a First Series Supplemental Indenture of Trust, dated as of July 1, 2002, with respect to the

Series 2002A Bonds (the *"First Series Supplemental Indenture"*), a Second Series Supplemental Indenture of Trust, dated as of July 1, 2002 with respect to the Series 2002B Bonds (the *"Second Series Supplemental Indenture"*), a Third Series Supplemental Indenture of Trust dated as of, July 1, 2002, with respect to the Series 2002C Bonds (the "Third Series

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* Preliminary subject to change.

Supplemental Indenture and a Fourth Series Supplemental Indenture of Trust dated as of July 1, 2002, with respect to the Series 2002D Bonds (the "*Fourth Series Supplemental Indenture*" and collectively with the Master Indenture, the First Series Supplemental Indenture, the Second Series Supplemental Indenture and the Third Series Supplemental Indenture, the "*Indenture*"), by and between the Agency and The Bank of New York (the "*Trustee*"); and (iii) resolutions of the Agency adopted on October 23, 2001 and November 23, 2001 authorizing the Series 2002 Bonds and certain actions relating thereto.

The Series 2002 Bonds are dated July 1, 2002, are issuable as fully registered bonds, without coupons, in authorized denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000.

The Series 2002 Bonds are subject to redemption prior to maturity, in the manner and upon the terms and conditions set forth in the Indenture.

The Series 2002 Bonds are being issued to provide funds to finance a portion of the cost of a project (the "*Project*") which consists of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York (the "*Airport*") on land owned by the City (as hereinafter defined) (the "*Premises*"), and (ii) the acquisition, construction and equipping of a new approximately 2,000,000 square foot air passenger terminal together with related arrival and departure access ramps, parking facilities on the Premises and a passenger tunnel connecting Concourse C to the new terminal, all to be used and managed as a passenger facility located at the Airport by American Airlines, Inc., a Delaware corporation (the "*Lessee*"). The Series 2002 Bonds will also provide funds to reimburse the Lessee for the payment of such Project costs and to pay costs of issuance related to the Series 2002 Bonds.

The Airport is leased by the City of New York (the "*City*") to The Port Authority of New York and New Jersey (the "*Port Authority*") pursuant to an Agreement of Lease dated April 17, 1947, as amended and supplemented (the "*Basic Lease*"), by and between the City and the Port Authority. The Premises have been subleased by the Port Authority to the Lessee pursuant to an agreement of lease entered into as of August 1, 1976 being Port Authority Agreement No. AYB-085 as amended and supplemented and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R) dated December 22, 2000 between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time (the "*Port Authority Lease*"). The Lessee and the Agency have entered into a Company Sublease Agreement dated as of July 1, 2002 (the "*Company Sublease*"). Pursuant to the Company Sublease, the Lessee will sub-sublease to the Agency certain improvements located on the Premises (the "*Leased Facilities*"). The Leased Facilities consists of only the improvements which are to be made or acquired pursuant to the IDA Lease Agreement, dated as of July 1, 2002 by and between the Agency and Lessee (the "*IDA Lease Agreement*"), and financed with the proceeds of the Series 2002 Bonds and Additional Bonds (herein defined) issued from time to time under the Indenture (the "*Bonds*"). Pursuant to the IDA Lease Agreement the Agency has sub-sub-subleased to the Lessee the Leased Facilities, and has leased to the Lessee the systems, machinery, equipment and other tangible personal property acquired and installed or to be acquired and installed at the Leased Facilities as part of the Project and financed in whole or in part with the proceeds of the Bonds (the "*Facility*

Equipment"). The Leased Facilities and the Facility Equipment are referred to collectively herein as the "Facility."

The Lessee will be obligated under the IDA Lease Agreement to make lease rental payments to the Trustee in an amount sufficient to pay the principal and purchase price of, redemption premium, if any, and interest on the Bonds, including the Series 2002 Bonds. The Indenture permits the issuance of additional bonds (the "*Additional Bonds*") ranking on a parity with the Series 2002 Bonds, provided that the maximum principal amount of bonds issued under the Indenture shall not exceed $2,300,000,000. Payment of the principal and purchase price of, premium, if any, and interest on the Bonds (including the Series 2002 Bonds) issued under the Indenture will be guaranteed by the Lessee pursuant to a Guaranty dated as of July 1, 2002 from the Lessee to the Trustee (the "*Lessee Guaranty*") and will also be guaranteed by AMR Corporation ("*AMR*") pursuant to a Guaranty dated as of July 1, 2002 from AMR to the Trustee (the "*AMR Guaranty*"). The Bonds will be additionally secured pursuant to an Equipment Security Agreement dated as of July 1, 2002 among the Agency, the Lessee and the Trustee ("*the Equipment Security Agreement*").

We are of the opinion that:

1. The Agency has the right and power to enter into the Indenture, the IDA Lease Agreement, the Company Sublease and the Equipment Security Agreement, and the Indenture, the IDA Lease Agreement, the Company Sublease and the Equipment Security Agreement have been duly authorized, executed and delivered by the Agency, and, assuming due authorization, execution and delivery by the other parties thereto, are in full force and effect in accordance with their terms and are valid and binding upon the Agency and enforceable in accordance with their respective terms and no other authorization by the Agency for the Indenture, the IDA Lease Agreement, the Company Sublease or the Equipment Security Agreement is required.

2. The Indenture creates the valid pledge which it purports to create of the lease rentals payable or receivable under the IDA Lease Agreement and the moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Agency has the right and power to authorize, execute and deliver the Series 2002 Bonds, and the Series 2002 Bonds have been duly authorized, executed and delivered by the Agency. The Series 2002 Bonds are valid and binding special obligations of the Agency, are enforceable in accordance with their terms and the terms of the Indenture and are payable as to principal and purchase price, redemption premium, if any, and interest from moneys on deposit in the funds and accounts maintained under the Indenture, all as provided in the Indenture. The Series 2002 Bonds are entitled to the benefit of the Indenture.

4. The Internal Revenue Code of 1986, as amended to the date hereof (the "*Code*"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2002 Bonds in order that interest on the Series 2002 Bonds be and remain not included in gross income for Federal income tax purposes. Pursuant to the Tax Certificate executed by the

Lessee and the Agency dated the date hereof (the "*Tax Certificate*"), the Lessee has made certain representations, certifications and covenants relating to such non-inclusion in gross income. The IDA Lease Agreement and the Tax Certificate obligate the Lessee to do and perform all acts and things necessary and within its control to assure that interest on the Series 2002 Bonds not be included in gross income pursuant to Section 103 of the Code. Noncompliance with current requirements or future amendments may cause interest on the Series 2002 Bonds to be subject to federal income taxes retroactive to the date of issue of the Series 2002 Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

In our opinion, under existing statutes and court decisions, assuming continuing compliance by the Agency and the Lessee (and their successors) with the aforementioned covenants and the accuracy of the aforementioned representations and certifications, interest on the Series 2002 Bonds is not included in gross income for Federal income tax purposes, except that we express no opinion as to the exclusion from gross income of interest on any Series 2002 Bond for any period during which such Series 2002 Bond is held by a "substantial user" of the Facility or a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2002 Bonds will be treated as a preference item to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations.

5. The interest on the Series 2002 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City) and is exempt from all taxation directly imposed by or under the authority of said State except for transfer and estate taxes.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Series 2002 Bonds.

We have examined one of the Series 2002 Bonds in fully registered form and, in our opinion, the form of said Series 2002 Bond is regular and proper.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. Furthermore, we express no opinion as to the impact of any such change or action on the tax-exempt status of interest on any Series 2002 Bond, if such change occurs or action is taken upon the advice or approval of Bond Counsel other than Winston & Strawn.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2002 Bonds, the Indenture, the Basic Lease, the Port Authority Lease, the Company Sublease, the IDA Lease Agreement and the Equipment Security Agreement may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and by application of general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity). In addition, we express no opinion as to the severability of any provision of the Indenture, the Company Sublease, the IDA Lease Agreement or the Equipment

Security Agreement in the event that the modification of the foregoing agreements resulting from a severed provision constitutes a material change to the original intention of the parties to such agreements.

In rendering the foregoing opinions, we have assumed that each of the Basic Lease and the Port Authority Lease are in full force and effect. In rendering this opinion, we have not made any investigation of, do not express an opinion as to, and are not passing upon any matters relating to, title to the Facility.

In rendering the foregoing opinions, we have reviewed the opinions of Anne H. McNamara, Senior Vice President and General Counsel of AMR Corporation and American Airlines, Inc. dated the date hereof, as to certain matters relating to the Lessee and have assumed the due authorization, execution and delivery of the Company Sublease, the IDA Lease Agreement and the Equipment Security Agreement by the Lessee. We understand that you have received said opinions with respect to such matters.

In rendering the foregoing opinions, we have reviewed the opinion of Emmett Marvin & Martin, counsel to the Trustee, dated the date hereof, as to certain matters relating to the Trustee and have assumed the due authorization, execution and delivery of the Indenture by the Trustee. We understand that you have received such opinion with respect to such matters.

Our opinions set forth herein are based upon the facts in existence and the laws in effect on the date hereof and we disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

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In the opinion of Winston & Strawn, New York, New York, Bond Counsel, under existing statutes and court decisions, assuming the accuracy of certain representations and certifications and continuing compliance with certain covenants, interest on the Series 2002 Bonds is not included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). No opinion is expressed by Bond Counsel as to the exclusion from gross income of interest on any Series 2002 Bond during the period that such Series 2002 Bond is held by a "substantial user" of the facilities financed by the Series 2002 Bonds or a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2002 Bonds will be treated as a preference item to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2002 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York) and that the Series 2002 Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State, except for transfer and estate taxes. See "TAX MATTERS" in this Official Statement.

$500,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$120,000,000 Series 2002A
$380,000,000 Series 2002B

Dated: July 1, 2002

Maturities: as shown on the inside front cover
Long-Term Interest Rates: as shown on the inside front cover

The Series 2002A Bonds and the Series 2002B Bonds (collectively, the *"Series 2002 Bonds"*) are being issued by the New York City Industrial Development Agency (the *"Agency"*) to provide funds to finance a portion of the cost of the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) and the acquisition, construction and equipping of a new passenger terminal and related facilities at the Airport (the *"Facility"*) for use by American Airlines, Inc. (the *"Company"*), to reimburse the Company for the payment of such costs, to pay costs of issuance related to the Series 2002 Bonds and to fund a debt service reserve fund. The Series 2002 Bonds are special revenue obligations of the Agency and will be payable (except to the extent payable from proceeds of the Series 2002 Bonds and certain other moneys pledged therefor) solely from payments to be made pursuant to an IDA Lease Agreement between the Agency and

American Airlines, Inc.

Payment of the principal and purchase price of, premium, if any, and interest on the Series 2002 Bonds when due will also be unconditionally guaranteed by the Company and by

AMR Corporation

pursuant to the terms of separate Guaranties (the *"Guaranties"*) from the Company and AMR Corporation (*"AMR"*). The land on which the Facility is to be located, together with certain buildings, structures, improvements and related facilities on such land (the *"Premises"*), have been subleased to the Company by The Port Authority of New York and New Jersey pursuant to the Port Authority Lease (as defined herein) which, unless extended, expires on December 30, 2015. Upon substantial completion of the buildings, structures, improvements and related facilities constituting the Facility, excluding moveable equipment (the *"Leased Facilities"*), and the satisfaction of certain other requirements as described herein, the Company is obligated to grant a leasehold mortgage to The Bank of New York (the *"Leasehold Mortgagee"*) upon the Company's leasehold interest in the Premises (which includes the Leased Facilities) under the Port Authority Lease as described herein (the *"Leasehold Mortgage"*). If it becomes effective, the Leasehold Mortgage will secure the payment obligations of the Company and AMR under the Guaranties. **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities are substantially completed and certain other conditions described herein are satisfied. The ability of the Leasehold Mortgagee to relet the Premises pursuant to the Leasehold Mortgage is subject to significant limitations and preconditions as described herein.**

The Series 2002 Bonds are special and limited obligations of the Agency, payable as to the principal, redemption price, if applicable, and purchase price thereof, and interest thereon, solely from the Trust Estate (as defined herein). Neither the State of New York (the *"State"*), nor any political subdivision thereof, including The City of New York (the *"City"*), shall be obligated to pay the principal, redemption price, if applicable, or purchase price of, or interest on, the Series 2002 Bonds. Neither the faith and credit nor the taxing power of the State, nor any political subdivision thereof, including the City, is pledged to such payment of the Series 2002 Bonds. The Series 2002 Bonds will not be payable out of any funds of the Agency other than those pledged therefor pursuant to the Indenture (as defined herein). The Series 2002 Bonds will not give rise to a pecuniary liability or charge against the credit or taxing powers of the State or any political subdivision thereof, including the City. The Agency has no taxing power.

Interest on the Series 2002 Bonds will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of the Series 2002 Bonds will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. Payments of principal, premium, if any, purchase price and interest will be made to purchasers by DTC through its participants.

The Series 2002 Bonds will be subject to optional, extraordinary optional, sinking fund and mandatory redemption prior to their respective maturity dates, in each case at the redemption prices, in the manner and at the times set forth in this Official Statement.

INVESTMENT IN THE SERIES 2002 BONDS INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE GIVEN PARTICULAR ATTENTION BY PROSPECTIVE PURCHASERS OF THE SERIES 2002 BONDS.

The Series 2002 Bonds are offered when, as and if issued by the Agency and accepted by the Underwriters, subject to prior withdrawal or modification of the offer without notice, the approval of legality by Winston & Strawn, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Richard E. Marshall, Vice President for Legal Affairs. Certain legal matters will be passed upon for AMR Corporation and American Airlines, Inc. by Anne H. McNamara, Senior Vice President and General Counsel of AMR Corporation and of American Airlines, Inc., and for the Underwriters by their counsel, Chapman and Cutler, Chicago, Illinois. It is expected that delivery of the Series 2002 Bonds in definitive form will take place through the facilities of DTC on or about July 31, 2002.

Salomon Smith Barney

Merrill Lynch & Co.

JPMorgan

Bear Stearns & Co. Inc.

BNY Capital Markets, Inc.

Morgan Stanley

SunTrust Capital Markets

July 25, 2002

$500,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$120,000,000 Series 2002A
$380,000,000 Series 2002B

$120,000,000 Series 2002A Bonds

Amount	Maturity Date	Long-Term Interest Rate	Yield
$120,000,000	August 1, 2012	8%	8 3/4%

$380,000,000 Series 2002B Bonds

Amount	Maturity Date	Long-Term Interest Rate	Yield
$380,000,000	August 1, 2028	8 1/2%	9%

The information contained in this Official Statement (which term shall be deemed to include the Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained from the Agency, the Company, AMR and other sources deemed reliable. The information concerning DTC has been obtained from DTC. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the Agency, the Company or AMR since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the Agency, the Company, AMR or the underwriters named on the cover page hereof (the "*Underwriters*") to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE CITY OF NEW YORK

Michael R. Bloomberg, Mayor

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
110 William Street
New York, New York 10038

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OFFICIAL STATEMENT

$500,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$120,000,000 Series 2002A
$380,000,000 Series 2002B

INTRODUCTORY STATEMENT

This Official Statement, including the cover, the inside front cover, the table of contents, the Appendices and all documents incorporated herein by reference, is provided to furnish information in connection with the sale by the New York City Industrial Development Agency (the *"Agency"*) of its (i) Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $120,000,000 (the *"Series 2002A Bonds"*) and (ii) Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $380,000,000 (the *"Series 2002B Bonds"*). The Series 2002A Bonds and the Series 2002B Bonds (collectively, the *"Series 2002 Bonds"*) will be issued pursuant to and secured by a Master Indenture of Trust dated as of July 1, 2002 (the *"Master Indenture"*), as supplemented by a First Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002A Bonds) and a Second Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002B Bonds) (collectively, the *"Indenture"*) between the Agency and The Bank of New York, New York, New York, as trustee (the *"Trustee"*).

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE (AS HEREINAFTER DEFINED). NEITHER THE STATE OF NEW YORK (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE "CITY"), SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The Series 2002 Bonds are being issued to provide funds to finance a portion of the costs of the *"Project,"* which consists of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) in Queens, New York, and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps (the *"Facility"*) to be used and managed by American Airlines, Inc., a Delaware corporation (the *"Company"*). The land on which the Facility is to be located, together with the buildings, structures, improvements and related facilities on such land (the *"Premises"*), are owned by the City and are leased by the City to The Port Authority of New York and New Jersey (the *"Port Authority"*) pursuant to an Agreement of Lease dated April 17, 1947, as amended and supplemented (the *"Basic Lease"*). The Basic Lease is currently scheduled to expire on December 31, 2015. The Premises have been subleased by the Port Authority to the Company pursuant to an Agreement of Lease entered into as of August 1, 1976, as supplemented and amended and as further supplemented, amended and restated in an Amended and Restated Lease dated as of December 22, 2000, as further supplemented, amended or modified from time to time (the *"Port Authority Lease"*). The Port Authority Lease is currently scheduled to expire on December 30, 2015 (subject to extension(s)). The Company and the Agency will enter into a Company Sublease Agreement dated as of July 1, 2002 (the *"Company Sublease"*), pursuant to which the Company will sub-sublease to the Agency those portions of the Premises (but excluding any portion of the underlying land) subject to the Port Authority Lease which constitute the Facility (the *"Leased Facilities"*). Pursuant to an IDA Lease Agreement dated as of July 1, 2002 (the *"IDA Lease Agreement"*), the Agency will sub-sub-sublease the Leased Facilities, and lease certain equipment to be owned by the Agency and to be located at the Premises (the *"Facility Equipment"*), to the Company. The Leased Facilities and the Facility Equipment constitute the Facility.

The Company will be unconditionally obligated under the IDA Lease Agreement to make lease rental payments directly to the Trustee in an amount sufficient to pay the principal, redemption price, if applicable, and purchase price of, and interest on, all bonds issued under the Indenture, including the Series 2002 Bonds. Pursuant to the provisions of the Indenture, there will be established within the Debt Service Reserve Fund created and established under the Indenture: (i) a Series 2002A Debt Service Reserve Account to secure the payment of the principal, redemption price, if applicable, and interest on the Series 2002A Bonds and (ii) a Series 2002B Debt Service Reserve Account to secure the payment of the principal, redemption price, if applicable, and interest on the Series 2002B Bonds.

The Indenture permits the issuance of additional bonds (the *"Additional Bonds"*) ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of bonds issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds." As used herein *"Bonds"* means the Series 2002 Bonds and all Additional Bonds issued under the Indenture. Payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds (including the Series 2002 Bonds) issued under the Indenture will be guaranteed by the Company pursuant to a Guaranty dated as of July 1, 2002 from the Company to the Trustee (the *"Company Guaranty"*) and also will be guaranteed by

AMR Corporation (*"AMR"*) pursuant to a Guaranty dated as of July 1, 2002 from AMR to the Trustee (the *"AMR Guaranty"*). The Company is a wholly owned subsidiary of AMR. The AMR Guaranty and the Company Guaranty are herein referred to as the *"Guaranties."* See "SECURITY FOR THE BONDS—The Guaranties" and APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES."

As security for the payment of its obligations under the Company Guaranty and the payment of AMR's obligations under the AMR Guaranty, the Company is obligated to grant to the Trustee, as leasehold mortgagee (the *"Leasehold Mortgagee"*), a leasehold mortgage in the Company's interest in the Premises under the Port Authority Lease pursuant to a Leasehold Mortgage and Security Agreement (the *"Leasehold Mortgage"*). **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and certain other requirements (defined in the Port Authority Lease as the *"Reletting Rights Effective Date Conditions"* and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*") have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement referred to below, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty, (iii) the unsecured obligation of AMR under the AMR Guaranty, and (iv) amounts held by the Trustee in any Account of the Debt Service Reserve Fund established to secure such series of Bonds. The delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code—*Bankruptcy of Company.*"**

If the Leasehold Mortgage becomes effective, the Leasehold Mortgagee, subject to significant restrictions, the satisfaction of certain requirements and significant payment obligations, all as set forth in the Port Authority Lease and described herein, will have the right following a Leasehold Mortgage Default as described herein to identify to the Port Authority a Qualifying Replacement Tenant (as hereinafter defined). In accordance with the provisions of the Port Authority Lease, acceptance of any Qualifying Replacement Tenant is subject to the approval of the Port Authority. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

The Company currently estimates that substantial completion of the Leased Facilities will occur in August 2006 and the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether a Reletting Rights Effective Date Condition relating to the amount of qualified costs incurred by the Company has been fulfilled). See "THE PROJECT; PLAN OF FINANCE" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT

AUTHORITY LEASE—Redevelopment Work." The Port Authority Lease contains significant economic incentives for the Company to substantially complete the Leased Facilities in a timely manner and to satisfy the Reletting Rights Effective Date Conditions related to the construction of the Leased Facilities. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent." In addition, the Company will covenant in the IDA Lease Agreement that it will construct at the Premises not less than 55 aircraft loading and unloading gate positions of which at least 35 are to accommodate widebody aircraft and of which at least two are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as are approved by the Port Authority. The failure of the Company to satisfy the remaining Reletting Rights Effective Date Conditions (which are procedures to ensure, among other things, that the Company has incurred the required amount of qualified costs in connection with construction of the Leased Facilities) following substantial completion of the Leased Facilities will be a default under the IDA Lease Agreement. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*" and "—Events of Default; Remedies—*Events of Default.*"

As further security for the Series 2002 Bonds and any Additional Bonds, the Company, the Agency and the Trustee will execute an Equipment Security Agreement dated as of July 1, 2002 pursuant to which the Company and the Agency will grant to the Trustee a security interest in certain Facility Equipment (the *"Equipment Security Agreement"*).

The Port Authority will consent to the Company Sublease, the IDA Lease Agreement and the Leasehold Mortgage in a Consent to Subleases and Leasehold Mortgage Agreement among the Port Authority, the Company, AMR, the Agency and the Trustee (the *"Port Authority Consent"*). A violation by the Company of certain provisions of the Port Authority Consent is deemed to be a material default under the Port Authority Lease. See APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage*" and "—*Defaults.*"

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." Should the Basic Lease not be extended, the City will agree to lease the Premises directly to the Company (such lease is herein called the *"New City/American Lease"*) pursuant to an Agreement Towards Entering Into a Lease between the City and the Company (the *"Agreement Towards Entering Into a Lease"*). The City is not obligated to enter into the New City/American Lease with the Company unless certain conditions are satisfied as described in the Agreement Towards Entering Into a Lease. The New City/American Lease will contain terms and conditions specified in the Agreement Towards Entering Into a Lease and may contain such additional terms and conditions as the City or its designee deems appropriate in good faith. See

APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease*." **As a result, the New City/American Lease may contain provisions that diminish the value and marketability of the Company's leasehold, or that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage*." See also "SECURITY FOR THE BONDS—The Agreement Towards Entering Into a Lease," "—New Leasehold Mortgage Upon Expiration of the Basic Lease" and "—Company Sublease; The Lease Term Differential" and "RISK FACTORS—Leasehold Term" and "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."**

The Leasehold Mortgage will terminate upon the expiration of the Basic Lease. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, provided certain conditions are met. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease but must be negotiated at such time and be satisfactory to the City. As a result, such new leasehold mortgage may contain provisions that diminish the value of a leasehold mortgage of the Company's interest in the Premises. In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can obtain from the City only the right to grant to the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it executes and delivers such a leasehold mortgage to the Trustee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease" for a summary of the terms of the Agreement Towards Entering Into a Lease. Certain bankruptcy and lien priority issues also are raised with respect to the leasehold mortgage covering the New City/American Lease. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities," "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" and "—Certain Considerations under the United States Bankruptcy Code—*Bankruptcy of Company*."

The Company and the City also will enter into a Recognition, Non-Disturbance and Attornment Agreement (the "*City Attornment Agreement*") pursuant to which the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date (December 31, 2015 unless extended) and if (i) the Company is not at such time a Prohibited Person, (ii) the Company is not in default under the Port Authority Lease and no event exists

which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iii) the Company has possession of the Premises as tenant under the Port Authority Lease, (iv) no event has occurred which would permit the commencement of the exercise of the Reletting Rights (as herein defined), (v) no Qualifying Replacement Tenant has been appointed and (vi) no Triggering Event (as herein defined) has occurred, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the City upon all terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the City will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a leasehold mortgage therein) and (C) the Company will recognize the City as its direct landlord thereunder. In such event the Leasehold Mortgage, if it has then become effective, would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement" for a summary of the terms of the City Attornment Agreement. See also "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

Each series of the Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates to their respective maturity dates as shown on the inside front cover of this Official Statement. The Indenture provides that the Series 2002B Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their maturity date) that the Series 2002B Bonds would otherwise be subject to optional redemption as described below under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company*." In such case, the Series 2002B Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of such Series 2002B Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had the Series 2002B Bonds been optionally redeemed on such date, together with accrued interest, if any. **This Official Statement describes the Series 2002 Bonds only while they bear interest at the initial Long-Term Interest Rates set forth on the inside front cover of this Official Statement.**

The Series 2002 Bonds will mature on the dates set forth on the inside front cover of this Official Statement and will be subject to redemption as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity." Interest on the Series 2002 Bonds bearing interest at Long-Term Interest Rates will accrue from July 1, 2002, and will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter, and will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of Series 2002 Bonds bearing interest at Long-Term Interest Rates will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" shall mean

Cede & Co., and shall not mean the beneficial owners of the Series 2002 Bonds. See "THE SERIES 2002 BONDS—Book-Entry-Only System."

Brief descriptions of the Agency, the Series 2002 Bonds, the Indenture, the IDA Lease Agreement, the Company Sublease, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the Equipment Security Agreement and the Guaranties are included in this Official Statement. Appendix A to this Official Statement furnishes, or incorporates by reference, information with respect to the Company and AMR. Appendix B to this Official Statement contains certain definitions used herein and in the Appendices hereto. Appendix C to this Official Statement contains a summary of certain provisions of the IDA Lease Agreement. Appendix D to this Official Statement contains a summary of certain provisions of the Indenture. Appendix E to this Official Statement contains a summary of certain provisions of the Guaranties. Appendix F to this Official Statement contains a summary of certain provisions of the Port Authority Lease. Appendix G to this Official Statement contains a summary of certain provisions of the Port Authority Consent and the form of Leasehold Mortgage. Appendix H to this Official Statement contains a summary of certain provisions of the Agreement Towards Entering Into a Lease and the City Attornment Agreement. Appendix I to this Official Statement sets forth the form of opinion of Bond Counsel. The Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. is attached hereto as Appendix J. The assumptions, findings and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency, the Underwriters or the Company. The descriptions in this Official Statement (including the Appendices hereto) of the IDA Lease Agreement, the Company Sublease, the Indenture, the Guaranties, the Equipment Security Agreement, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement are qualified in their entirety by reference to such documents, and the descriptions in this Official Statement (including the Appendices hereto) of the Series 2002 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained during the initial offering period from the principal offices of the Underwriters and, after the initial delivery of the Series 2002 Bonds, at the principal corporate trust office of the Trustee in New York, New York. All capitalized terms used herein (including in the Appendices) and not defined herein or in Appendix B hereto shall have the meanings set forth in the Indenture.

THE AGENCY

The Agency was established in 1974 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State duly organized and existing pursuant to Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the *"Act"*) for the purposes of promoting the economic welfare of the inhabitants of the City and promoting, developing, encouraging and assisting in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreational and civic facilities, thereby advancing the job

opportunities, health, general prosperity and economic welfare of the people of the State and improving their recreational opportunities, prosperity and standard of living.

Under the Act, the Agency has power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the geographical jurisdictional limits of the City; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects; to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Agency may deem desirable; to designate depositories for its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

The members of the Board of Directors of the Agency are listed earlier in this Official Statement.

To support its activities, the Agency contracts with the New York City Economic Development Corporation (*"EDC"*) to provide staff and technical assistance. EDC is a not-for-profit local development corporation which includes among its purposes the administration of government financing programs which foster business expansion in the City.

The Agency has heretofore authorized and issued revenue bonds under the Act for the benefit of various borrowers. Each series of such revenue bonds constitutes a separate, special obligation of the Agency payable only from revenues received from the specific borrower benefited thereby or from other limited sources and the full faith and credit of the Agency was not pledged to secure the payment of principal of, premium, if any, or interest on such bonds.

Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002 Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR

AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER. THE AGENCY HAS NOT VERIFIED, REVIEWED OR APPROVED AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO (OTHER THAN THE STATEMENTS AND INFORMATION SET FORTH UNDER "THE AGENCY" AND THE INFORMATION RELATING TO THE CITY AND THE AGENCY ON THE PAGE IMMEDIATELY FOLLOWING THE TABLE OF CONTENTS).

THE AIRPORT

Pursuant to the Basic Lease, the Airport is leased, together with LaGuardia Airport, to the Port Authority by the City for a term extending to December 31, 2015. Opened on July 1, 1948, the Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. The Airport consists of approximately 4,956 acres, including 880 acres in the Central Terminal Area. The Central Terminal Area contains nine individual airline passenger terminals surrounded by a dual ring of peripheral taxiways. Six hangars are used to provide aircraft maintenance and storage for aircraft parts and equipment. Two patron parking structures, 35 cargo buildings to accommodate the demand for cargo space, a 520-room hotel, and a cogeneration facility integrating an installation for the generation of electrical energy with the Airport's central heating, refrigeration plant and thermal distribution system also are located at the Airport. The four major runways now in use range in length from approximately 8,400 feet to 14,600 feet. For additional information regarding the Airport, see APPENDIX J—"GATE DEMAND STUDY."

THE PROJECT; PLAN OF FINANCE

The Project

The Project consists of (i) the demolition of Terminals 8 and 9 at the Airport, and (ii) the acquisition, construction and equipping of a new air passenger terminal (the *"Terminal"*) together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C of the Terminal to the main Terminal building. The Company currently plans for the Terminal to consist of an approximately 2 million square foot, 55 gate terminal building and central ticketing facility. The Terminal will replace the Company's two existing terminals at the Airport, currently designated as Terminals 8 and 9, creating what the Company believes will be one of the best and most advanced passenger terminal facilities at the Airport. When completed, the Terminal will enhance the position of the Airport as one of the United States' premier international gateways.

The description of the Project set forth below reflects the Company's existing design and construction plans for the Terminal. To permit the Leasehold Mortgage to be executed, delivered and recorded, the Company must satisfy the Required Conditions (as defined under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions to Execution, Delivery and Recording of the Leasehold Mortgage*"), which generally require that the Terminal contain 55 gates or such other number of gates as shall have been approved by the Port Authority, and that the Company incur not less than $850,000,000 of qualified costs in connection with construction

of the Leased Facilities. The Company's plans for the Terminal could change (for example, the Company could decide to construct fewer than 55 gates in the Terminal), but the Company expects that in any event the Terminal, when completed, will satisfy the Required Conditions. The Company will covenant in the IDA Lease Agreement that it will construct at the Premises not less than 55 aircraft loading and unloading gate positions of which at least 35 are to accommodate widebody aircraft and of which at least two are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as are approved by the Port Authority.

The Terminal will contain three concourses. Concourses A and B will extend from the main Terminal area. Concourse A will be a second level concourse that will provide 18 gates with passenger loading devices for regional aircraft operated by American Eagle. Concourse B will be part of the main Terminal building, will have 20 gates, and will provide gating for both narrowbody and widebody aircraft. All gates on Concourse B will accommodate international and domestic arrivals and departures. Concourse C will have 17 gates and will be linked to the main Terminal building by a 320-foot underground tunnel with moving walkways. Concourse C also will provide gating for narrowbody and widebody aircraft. Eleven gates on Concourse C will accommodate domestic arriving flights and international or domestic departing flights. All other gates in Concourse C will accommodate international or domestic arriving flights and departing flights.

The concourses are planned to consist of 37 gates for main line aircraft and 18 gates for regional jet aircraft that each will accommodate up to a 70-seat regional jet. The Company expects that the finished Terminal will be able to accommodate up to 40,000 passengers a day.

To allow customers to move through the Terminal smoothly and efficiently, the Terminal will have four primary levels: one for arrivals, one for baggage handling, one for departures, and one for clubs, lounges and offices.

The departures level will include curbside check-in positions and main ticket counter check-ins, each with take-away belts for baggage. The positions will be arranged in five check-in islands. For arriving international passengers, there will be a Federal Inspection Service (customs and immigration) facility planned to process up to 2,400 people an hour. This facility is designed to feature 22 customs positions, 48 immigration positions and six baggage claim carousels, each with 250 linear feet for baggage pickup. Outside of the facility, there will be an area designated for meeting arriving passengers.

The Terminal is planned to feature two Admirals Clubs, an Arrivals Lounge and a Flagship Lounge.

Integral to the design of the Terminal is a new two-level roadway – one for arrivals and the other for departures. Each is planned to have 900 linear feet of curb space. In addition, the Terminal will be linked to other terminals at the Airport and the Airport's parking areas by the Airport's light rail AirTrain system that is currently under construction. Portions of the light rail AirTrain system are expected to begin operating by the fourth quarter of 2002.

The Terminal's planned retail and concession program is expected to encompass 74 specialty stores consisting of retail, duty free, newsstand and food and beverage facilities and financial and passenger services facilities, including business centers and currency exchanges. The retail and concession program is expected to provide approximately 90,000 square feet of concession space. The concession program's primary goal will be customer satisfaction through provision of a broad variety of quality products and services to travelers and Airport users with innovative concepts that impart broad customer appeal. The concession program is intended to enhance the Terminal as a major international point of entry/departure at the Airport.

The Company has selected DMJM Aviation as architect/engineer for the Project. DMJM Aviation specializes in aviation planning, programming, environmental analysis, engineering, design, construction/program management, and selected specialty technical services. DMJM Aviation incorporates the aviation resources of Day & Zimmermann Infrastructure; Daniel, Mann, Johnson, & Mendenhall; and Turner Collie & Braden. The firm's recent projects include major airport development programs at Chicago O'Hare, Edmonton, Miami, Philadelphia, Phoenix Sky Harbor, Salt Lake City, Southwest Florida, San Francisco, Washington Dulles and Ronald Reagan National Airport.

Construction of the Leased Facilities began in October 1999. The Company currently expects to meet the project milestones of opening Concourse C in February 2003, completing the Terminal C tunnel/connector and mid-section of the main Terminal by December 2003, opening the west portions of Concourses A and B and the Federal Inspection Service facility by July 2004, and opening the east portions of Concourses A and B by August 2006. At the end of May 2002, Concourse C was 60% complete and 70% of the structural steel installation for the main Terminal was complete. To date the Company has spent approximately $350,000,000 on the Leased Facilities (all of which the Company believes are proper Redevelopment Work costs that will apply towards satisfaction of the Required Condition requiring the Company to incur at least $850,000,000 in qualifying costs in connection with construction of the Leased Facilities). See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Redevelopment Work."

Plan of Finance

The proceeds of the Series 2002 Bonds will be used (i) to fund deposits to the applicable Construction Accounts of the Project Fund to fund the costs of the design, construction, equipping, and installation of the Facility through approximately August 31, 2002, (ii) to fund deposits to the applicable Accounts of the Debt Service Reserve Fund and (iii) to pay the costs of issuance of the Series 2002 Bonds.

The Company's current plan is to issue Additional Bonds in 2003, 2004 and 2005 to fund completion of the Facility and to reimburse the Company for moneys advanced by it for construction of the Facility.

APPLICATION OF PROCEEDS OF THE SERIES 2002 BONDS

The following table sets forth the sources and estimated uses of the proceeds of the Series 2002 Bonds (other than accrued interest):

Sources of Funds	
Par Amount of Series 2002 Bonds	$500,000,000
(less Original Issue Discount)	(24,891,800)
TOTAL	$475,108,200
Estimated Uses of Funds	
Deposit to the Project Fund	$421,097,380
Deposit to the Series 2002A Debt Service Reserve Account	11,408,160
Deposit to the Series 2002B Debt Service Reserve Account	36,102,660
Issuance Costs[1]	6,500,000
TOTAL	$475,108,200

(1) Includes underwriting discount and rating agency, legal, accounting, printing and other fees and expenses.

THE SERIES 2002 BONDS

General

The Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement, subject to their prior redemption as described below under "—Redemption Prior to Maturity," to their respective maturity dates (each a *"Long-Term Interest Rate Period"*) and are issuable in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The owners of the Series 2002 Bonds will **not** have the right to optionally tender their Series 2002 Bonds for purchase during such Long-Term Interest Rate Periods. The Indenture provides that the Series 2002B Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their maturity date) that the Series 2002B Bonds would otherwise be subject to optional redemption as described below under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company.*" In such case, the Series 2002B Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of the Series 2002B Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had the Series 2002B Bonds been optionally redeemed on such date, together with accrued interest, if any. At the time of such mandatory tender of the Series 2002B Bonds, the Series 2002B Bonds may be remarketed by a Remarketing Agent to be appointed by the Company prior to such time.

Interest on the Series 2002 Bonds during the initial Long-Term Interest Rate Periods will accrue from July 1, 2002 and will be payable on February 1, 2003, and semiannually on each

August 1 and February 1 thereafter (each, an *"Interest Payment Date"*) to registered owners as of the 15th day immediately preceding such Interest Payment Date (each, a *"Record Date"*). If a February 1 or August 1 is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day, but no additional interest will accrue. Interest on the Series 2002 Bonds offered hereby will be computed during the initial Long-Term Interest Rate Periods on the basis of a year of 360 days consisting of twelve 30-day months, and will be payable by check mailed or otherwise delivered to the registered owner thereof on the date that such interest is due at the address of such registered owner shown on the registration books kept by the Trustee, as Bond Registrar, as of the close of business on the Record Date or, in the case of Series 2002 Bonds owned by an owner who is the registered owner of Series 2002 Bonds of such series in an aggregate principal amount of at least $500,000 and who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, to the Trustee, as Paying Agent, wire transfer instructions, by wire transfer. Payment of the principal of, premium, if any, and interest on the Series 2002 Bonds shall be in lawful money of the United States of America. So long as Series 2002 Bonds are registered in the name of Cede & Co., registration of the Series 2002 Bonds and provisions relating to the delivery or presentation of the Series 2002 Bonds shall be handled in accordance with the procedures of DTC described below and the provisions of the Indenture relating to DTC's book-entry-only system described below.

Book-Entry-Only System

General. When the Series 2002 Bonds are issued, only beneficial ownership interests will be available to purchasers through a book-entry-only system maintained by DTC (the *"Book-Entry-Only System"*). The following discussion will not apply to Series 2002 Bonds if issued in physical form due to the discontinuance of the DTC system. See "*—Discontinuance of Book-Entry-Only System.*"

DTC will act as securities depository for the Series 2002 Bonds. The Series 2002 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Series 2002 Bonds, each in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act (hereinafter defined). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the *"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities

certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). Direct Participants and Indirect Participants are collectively referred to as *"Participants."* DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com.**

Purchases of Series 2002 Bonds under the Book-Entry-Only System must be made by or through Direct Participants, which will receive a credit for the Series 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond (the *"Beneficial Owner"*) is in turn to be recorded in the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002 Bonds, except in the event that use of the Book-Entry-Only System for the Series 2002 Bonds is discontinued. See "*—Discontinuance of Book-Entry-Only System.*"

To facilitate subsequent transfers, all Series 2002 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2002 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2002 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2002 Bond documents. For example, Beneficial Owners of Series 2002 Bonds may wish to ascertain that the nominee holding the Series 2002 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption and mandatory tender notices shall be sent to DTC. If less than all of the Series 2002 Bonds within a series are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in the series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2002 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and purchase price of, and premium, if any, and interest on the Series 2002 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, the Company, AMR or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, purchase price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee (or the applicable Tender Agent with respect to purchase price), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

The requirement for physical delivery of Series 2002 Bonds in connection with a mandatory tender will be deemed satisfied when the ownership rights in such Series 2002 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such Series 2002 Bonds to the applicable Tender Agent's DTC account.

Discontinuance of Book-Entry-Only System. Certificates representing replacement Series 2002 Bonds may be issued directly to Beneficial Owners of such Series 2002 Bonds in the event that (a) DTC determines to discontinue providing its services with respect to the Series 2002 Bonds; (b) the Agency, in consultation with the Company, and without the consent of the Trustee, the Beneficial Owner of any Series 2002 Bond or any other person, terminates the services of a depository with respect to a series of Series 2002 Bonds if the Agency determines

(i) the depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of such series issued in book-entry form be registered in the registration books of the Agency in the name of the depository, is not in the best interest of the Beneficial Owners of such Bonds, or (c) the Agency shall terminate the services of the depository upon receipt by the Agency and the Trustee of written notice from DTC that it has received written requests that DTC be removed from its participants having beneficial interest, as shown in the records of DTC, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Bonds of such series for which DTC is serving as depository. If no successor is appointed, the Bond Registrar will transfer one or more separate Series 2002 Bonds of a series to owners identified by the securities depositary having Series 2002 Bonds of such series credited to their accounts. In such event, such Series 2002 Bonds will no longer be restricted to being registered in the registration books in the name of the securities depository.

Beneficial Owners have no right to a Book-Entry-Only System or a depository for the Series 2002 Bonds.

If the Series 2002 Bonds are issued in physical form due to the discontinuance of the Book-Entry-Only System, the provisions of the Indenture with respect to payment and registration of the Series 2002 Bonds that are not in the Book-Entry-Only System will apply.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 2002 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Series 2002 Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (b) except as described above, notices that are to be given to registered owners will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the Agency, the Company or AMR.

Redemption Prior to Maturity

The Series 2002 Bonds offered hereby are subject to redemption as described below:

Optional Redemption at the Direction of the Company. The Series 2002A Bonds are not subject to optional redemption at the direction of the Company. The Series 2002B Bonds are subject to optional redemption by the Agency, at the direction of the Company, during the periods specified below, in whole or in part on any date, at the redemption prices (expressed as a percentage of principal amount) specified below, together with accrued interest, if any, to the redemption date:

Redemption Periods	Redemption Prices
August 1, 2012 to July 31, 2013	101%
August 1, 2013 to July 31, 2014	100 1/2%
August 1, 2014 and thereafter	100%

Extraordinary Optional Redemption Without Premium. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Company of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Company shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Company with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Company is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Company fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002 Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium. See "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential" for a discussion of the events that could lead to the termination of the Company Sublease.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the Port Authority Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002 Bonds shall be subject to mandatory redemption in a principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The redemption price of any Series 2002 Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The series and maturities of Series 2002 Bonds to be redeemed shall be determined by the Company.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002 Bonds of each series are subject to mandatory redemption in whole or, under certain circumstances, in part, at a redemption price equal to 100% of the unpaid principal amount of such Series 2002 Bonds of such series, together with accrued interest to the date of redemption, and without premium, within 90 days following receipt by the Trustee of written notice from a current or former holder or Beneficial Owner of the Series 2002 Bonds of such series or the Company of a Determination of Taxability (defined below). All of the Series 2002 Bonds of such series shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002 Bonds of such series would have the result that interest payable on the remaining Series 2002 Bonds of such series outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any holder or Beneficial Owner of a Series 2002 Bond of such series, other than a holder or Beneficial Owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code (defined below), in which case only such portion shall be redeemed. A Determination of Taxability is defined in the Indenture with respect to any series of Series 2002 Bonds as (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company has participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party or (iii) the delivery to the Agency and the Company of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Company to observe any covenant or agreement of the Company in the IDA Lease Agreement or any applicable Tax Certificate or the inaccuracy of any Company representation or warranty therein, the interest payable on the Series 2002 Bonds of such series is includable in the gross income of the holders thereof for federal income tax purposes, other than a person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder (the "*Code*"); *provided, however,* that no such Determination of Taxability shall be considered to exist with respect to (i) or (ii) above unless (x) the holder or Beneficial Owner or former holder or Beneficial Owner of such Series 2002 Bonds involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof and (y) either (A) the Company does

not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Company exhausts or chooses not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action that the Company determines to be appropriate, and no such Determination of Taxability as described in (iii) above shall be considered to exist if the Company gives the Agency prompt written notice of its intent to obtain (at the Company's expense) a second opinion and within 60 days of the receipt of the opinion described in (iii) above delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (iii) above does not adversely affect the exclusion of interest on the applicable series of Series 2002 Bonds from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Company in the second opinion). No Determination of Taxability described above will result from the inclusion of interest on any Series 2002 Bond in the computation of minimum or indirect taxes.

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002 Bonds. The Series 2002 Bonds of each series shall be subject to extraordinary optional redemption by the Agency, at the direction of the Company, in whole or in part on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Company shall have delivered to the Trustee and the Agency an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002 Bonds of such series (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002 Bonds of such series from the gross income of the holders pursuant to Section 103 of the Code and (ii) redemption of Series 2002 Bonds of such series in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002 Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the Port Authority Lease or as a result of the exercise by the City of any similar right it may have under the New City/American Lease. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Right of Port Authority to Terminate the Leasehold Mortgage Prior to Foreclosure*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Port Authority Right to Terminate Leasehold Mortgage.*"

Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015	$15,140,000
2016	$16,425,000
2017	$17,825,000
2018	$19,340,000
2019	$20,980,000
2020	$22,765,000
2021	$24,700,000
2022	$26,800,000
2023	$29,080,000
2024	$31,550,000
2025	$34,230,000
2026	$37,140,000
2027	$40,300,000
2028†	$43,725,000

†Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

If all of a series of the Series 2002 Bonds are redeemed as provided in any of the preceding paragraphs, then (x) the failure by the Company to observe or perform a covenant or agreement in the IDA Lease Agreement or (y) the inaccuracy of any representation or warranty made by the Company in the IDA Lease Agreement or in the related Tax Certificate, either of which results in a Determination of Taxability with respect to such series, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002 Bonds of such series for any claims, damages, costs or expenses arising out of or based upon such failure by the Company.

If the lien of the Indenture has been defeased with respect to a series of Series 2002 Bonds prior to the occurrence of an event permitting or requiring redemption of a series of the Series 2002 Bonds, the affected series of Series 2002 Bonds will not be subject to redemption in

the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Discharge of Indenture."

Selection of Series 2002 Bonds For Redemption. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series and maturity, the particular Series 2002 Bonds of such series and maturity or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that Series 2002 Bonds to be redeemed from sinking fund installments shall be redeemed by lot. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series stated to mature on different dates, the principal amount of such Series 2002 Bonds to be redeemed shall be applied to the maturities as directed by the Company. The portion of Series 2002 Bonds to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting Series 2002 Bonds for redemption, the Trustee shall treat each such Series 2002 Bond as representing that number of Series 2002 Bonds which is obtained by dividing the principal amount of such registered Series 2002 Bond by the minimum denomination (referred to below as a *"unit"*) then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2002 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the holder of such Series 2002 Bond shall forthwith surrender such Series 2002 Bond to the Trustee for (a) payment to such holder of the redemption price of the unit or units of principal amount called for redemption and (b) delivery to such holder of a new Series 2002 Bond or Bonds of the same series and maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2002 Bond. New Series 2002 Bonds of the same series and maturity representing the unredeemed balance of the principal amount of such Series 2002 Bond shall be issued to the registered holder thereof, without charge therefor. If the holder of any such Series 2002 Bond of a denomination greater than a unit shall fail to present such Series 2002 Bond to the Trustee for payment and exchange as aforesaid, such Series 2002 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Notice of Redemption. The Trustee shall give notice of redemption of Series 2002 Bonds in the name of the Agency, specifying the series, CUSIP number, Bond numbers, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2002 Bonds or portions thereof to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2002 Bonds of such series or portions thereof to be payable and, if less than all of the Series 2002 Bonds of a series of any maturity are to be redeemed, the numbers of such Series 2002 Bonds of such series or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2002 Bond of such series or portion thereof to be redeemed the redemption price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee, in the name and on behalf of the Agency (i) shall mail a copy of such notice by first class mail, postage

prepaid, not more than 45 nor less than 30 days prior to the date fixed for redemption of such Series 2002 Bonds, to the registered owners of any such Series 2002 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of Series 2002 Bonds with respect to which proper mailing was effected; and (ii) shall cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices. Any such notice shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2002 Bond shall not be presented for payment of the redemption price within 60 days of the redemption date, the Trustee shall mail a second notice of redemption to such holder by first class mail, postage prepaid.

Any notice of optional redemption may provide that the redemption of Series 2002 Bonds described therein is conditioned upon receipt by the Trustee, on or before the date fixed for redemption, of sufficient funds to pay the redemption price of the Series 2002 Bonds to be redeemed and such notice shall be of no effect if moneys sufficient to pay the redemption price of the Series 2002 Bonds to be redeemed have not been deposited with the Trustee on or before the date fixed for redemption. Any amounts held by the Trustee due to non-presentment of Series 2002 Bonds for payment on any redemption date shall be retained by the Trustee for a period of one year after the redemption date of such Series 2002 Bonds and invested in overnight funds with the interest thereon credited to the Company as provided in the Indenture, and any such amounts still held after the expiration of such period shall then be paid to the Company.

Provisions Regarding Bonds Bearing Interest at a Long-Term Interest Rate; Mandatory Tender and Remarketing

Series 2002B Bonds may be converted to a different Long-Term Interest Rate Period or to another interest rate mode prior to the scheduled end of the Long-Term Interest Rate Period applicable to the Series 2002B Bonds on a date upon which the Series 2002B Bonds are subject to optional redemption at the direction of the Company as described above under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company*." Upon any such conversion, the Series 2002B Bonds will be subject to mandatory tender. The purchase price in the case of such mandatory tender will be 100% of the principal amount of the Series 2002B Bonds subject to mandatory tender, plus any premium that would be payable if such Series 2002B Bonds were optionally redeemed on such day, together with accrued interest to the date of redemption. If the mandatory tender date is not a Business Day, then the date for such payment will be the next Business Day, but no additional interest will accrue as a result.

Notice of any mandatory tender described in the preceding paragraph shall be given by the Trustee to the owners of Series 2002B Bonds affected thereby by first-class mail not less than 15 days prior to such mandatory tender date. When the Book-Entry-Only System is not in effect, an owner of a Series 2002B Bond must deliver to the Tender Agent the Series 2002B Bond subject to mandatory tender (accompanied by an instrument of transfer, in form satisfactory to such Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed as provided in the Indenture) on the purchase date by 12:00 Noon,

New York City time. Delivery of a Beneficial Owner's Series 2002B Bond while Cede & Co. is the sole registered owner of the Series 2002B Bonds shall occur when the ownership rights in such Series 2002B Bond are transferred by a Direct Participant to the Tender Agent on DTC's records. In the event any such Series 2002B Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 2002B Bond need not be made until the Business Day following the date of delivery of such Bond, but such Bond shall nonetheless be deemed to be an Undelivered Bond (defined below) and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

If an owner of a Series 2002B Bond subject to mandatory tender shall fail to deliver such Series 2002B Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 2002B Bond properly endorsed, or if the Book-Entry-Only System is in effect, shall fail to cause its beneficial ownership to be transferred to such Tender Agent on the records of DTC, and moneys sufficient to pay the purchase price thereof are on deposit with such Tender Agent for such purpose, such Series 2002B Bond shall constitute an *"Undelivered Bond."* If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery (i) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (ii) interest shall no longer accrue thereon; and (iii) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (*provided* that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Series 2002B Bonds.

The Company will not appoint a Remarketing Agent at the time of the initial issuance and delivery of the Series 2002B Bonds, but is required to appoint a Remarketing Agent for the Series 2002B Bonds at least 30 days prior to the first remarketing of Series 2002B Bonds, if any. The purchase price of a series of Series 2002B Bonds will be paid (i) from the proceeds of the remarketing of such Series 2002B Bonds by the Remarketing Agent and (ii) if such remarketing proceeds are insufficient, from moneys provided by the Company under the IDA Lease Agreement or the Company Guaranty or by AMR under the AMR Guaranty.

SECURITY FOR THE BONDS

The Indenture

In the Indenture, the Agency has assigned to the Trustee all right, title and interest of the Agency in and to the IDA Lease Agreement, including, but not limited to, all lease rentals, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which Agency's Reserved Rights may be enforced by the Agency and the Trustee jointly or severally, subject to the limitations contained in the IDA Lease Agreement and the Indenture. In addition, the Series 2002 Bonds, along with all Additional Bonds, are secured by all moneys on deposit in accounts held under the Indenture except (i) any Rebate Fund (which is held solely to pay any amounts required to be paid to the United States Treasury), (ii) any

Bond Purchase Fund created under the Indenture (which is held solely for the benefit of the owners of Bonds subject to tender), (iii) any moneys drawn on any credit facility securing a particular series of Bonds (which is held solely for the benefit of that series of Bonds and the issuer of such credit facility), and (iv) any debt service reserve fund created by, or any other security of any nature pledged under, a Series Supplemental Indenture to secure a particular series of Bonds. Pursuant to the provisions of the Indenture, there will be established within the Debt Service Reserve Fund: (i) a Series 2002A Debt Service Reserve Account to secure the payment of the principal, redemption price, if applicable, and interest on the Series 2002A Bonds and (ii) a Series 2002B Debt Service Reserve Account to secure the payment of the principal, redemption price, if applicable, and interest on the Series 2002B Bonds.

Under the Indenture, the Trustee shall have only the right to enforce the obligation of the Company to pay lease payments sufficient to enable the Agency to pay the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds and to accelerate and collect the rentals payable by the Company under the IDA Lease Agreement. Under the Indenture each holder of the Bonds agrees that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement. Pursuant to the Indenture, each holder of the Bonds further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall (except as described above) have any other interest in the Leased Facilities or the Port Authority Lease (including, but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State of New York, or (iv) the Real Property Law of the State of New York or otherwise. Further, under the Indenture, each Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Leased Facilities (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage).

Pursuant to the Indenture upon an Event of Default thereunder, the Trustee will have a first right of payment prior to payment of rent under the IDA Lease Agreement in respect of the principal of or interest on any Bonds upon the revenues for the payment of its compensation and expenses and for the payment of advances reasonably and necessarily made or incurred by it under the Indenture.

The Indenture also permits the issuance of Additional Bonds ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of Bonds, including the

Series 2002 Bonds, issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds" for a description of the conditions upon which Additional Bonds may be issued. The Company intends to finance the completion of the Project through the issuance from time to time of Additional Bonds by the Agency. See "THE PROJECT; PLAN OF FINANCE."

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

Debt Service Reserve Fund

Within the Debt Service Reserve Fund there shall be created and held a Series 2002A Debt Service Reserve Account and a Series 2002B Debt Service Reserve Account. The Series 2002A Debt Service Reserve Account shall be held as security for the Series 2002A Bondholders and the Series 2002B Debt Service Reserve Account shall be held as security for the Series 2002B Bondholders. Each such Debt Service Reserve Account shall be held by the Trustee and applied solely for the purposes specified in the Indenture and shall be pledged to the payment of the principal of, Sinking Fund Installments, redemption price and interest on the Series 2002A Bonds or the Series 2002B Bonds, as the case may be. The Debt Service Reserve Account for the Series 2002A Bonds will be funded from the proceeds of the Series 2002A Bonds and the Debt Service Reserve Account for the Series 2002B Bonds will be funded from the proceeds of the Series 2002B Bonds, in each case in an amount equal to the applicable Debt Service Reserve Account Requirement. In lieu of or in substitution of such Bond proceeds, the Company may deposit or cause to be deposited into the respective Debt Service Reserve Account a Reserve Fund Facility. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Custody and Investment of Funds–*Debt Service Reserve Fund*."

Amounts held in the Debt Service Reserve Account for the Series 2002A Bonds will be withdrawn and deposited in the applicable Principal Account, the applicable Interest Account

and the applicable Redemption Account to the extent amounts held therein are not sufficient to make payments of principal, interest or redemption price on the Series 2002A Bonds when due. Amounts held in the Debt Service Reserve Account for the Series 2002B Bonds will be withdrawn and deposited in the applicable Principal Account, the applicable Interest Account, the applicable Sinking Fund Installment Account and the applicable Redemption Account to the extent amounts held therein are not sufficient to make payments of principal, interest, redemption price or Sinking Fund Installments on the Series 2002B Bonds when due.

Commencing with the first Business Day of the first calendar month immediately following any withdrawal from any Debt Service Reserve Account, the Company will be obligated under the IDA Lease Agreement to make 12 monthly installment payments to the Trustee in immediately available funds, each payment to be in an amount equal to 1/12 of such withdrawal until amounts held in such Debt Service Reserve Account shall equal the Debt Service Reserve Account Requirement for such Debt Service Reserve Account. See the last paragraph under APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT–Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions–*Rental Provisions.*"

The IDA Lease Agreement

The primary source for the payment of principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds will be the payment by the Company of rent under the IDA Lease Agreement. The Company will be obligated to pay directly to the Trustee, as assignee of the Agency under the Indenture, rent in an amount equal to the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds, when due. The obligations of the Company under the IDA Lease Agreement will be absolute and unconditional obligations of the Company.

The Guaranties

The owners of the Series 2002 Bonds and all Additional Bonds will be entitled to the benefits of the Company Guaranty and the AMR Guaranty pursuant to which the Company and AMR, respectively, will unconditionally guarantee to the Trustee for the benefit of the owners of the Series 2002 Bonds and all Additional Bonds payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds when and as due and payable. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES."

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Leasehold Mortgage and Reletting

Leasehold Mortgage. As security for payment of its obligations under the Company Guaranty and AMR's obligations under the AMR Guaranty, the Company has agreed that within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions, the Company will execute and deliver to the Leasehold Mortgagee for recording a leasehold mortgage of the Company's interest in the Premises under the Port Authority Lease. The Leasehold Mortgage will be acknowledged and consented to by the Agency. See *"—Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date."* A form of the Leasehold Mortgage has been consented to by the Port Authority under the Port Authority Consent and is described in APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." The sole rights of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default are the Reletting Rights, which would permit the Leasehold Mortgagee to exclude the Company from possession of the Premises and to select a Qualifying Replacement Tenant during the Foreclosure Period. The obligations of the Leasehold Mortgagee with respect to any exercise of the Reletting Rights are described below and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty, (iii) the unsecured obligation of AMR under the AMR Guaranty, and (iv) amounts held by the Trustee in any Account of the Debt Service Reserve Fund established to secure such series of Bonds. The delayed execution, delivery and recording of the Leasehold Mortgage also raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."

If the Basic Lease expires the Leasehold Mortgage will terminate. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in the New City/American Lease, *provided* that certain conditions are satisfied. The form, terms

and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time. There can be no assurance that any such new leasehold mortgage will have terms similar to the Leasehold Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed. Also, no assurance can be given that the City will not require additional provisions in the New City/American Lease that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein. See "—New Leasehold Mortgage Upon Expiration of the Basic Lease."

The following discussion describes (i) the requirements that must be satisfied by the Company before the Leasehold Mortgage can be executed, delivered or recorded and (ii) the conditions set forth in the Port Authority Lease that must be satisfied before the Leasehold Mortgage can be foreclosed once it becomes effective.

Conditions to Execution, Delivery and Recording of the Leasehold Mortgage. The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after each of the Reletting Rights Effective Date Conditions described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*" is fulfilled. The Reletting Rights Effective Date Conditions include the requirements that (i) the Company construct a terminal containing not less than 55 gates, of which at least 35 are to accommodate widebody aircraft and at least two are to accommodate narrowbody aircraft, or such other number of gates as shall have been approved in writing by the Director of the Port Authority's Aviation Department, and (ii) the Company incur not less than $850,000,000 of qualified costs in connection with construction of the Leased Facilities (referred to collectively as the *"Required Conditions"*). The Company will covenant in the IDA Lease Agreement that it will construct at the Premises not less than 55 aircraft loading and unloading gate positions of which at least 35 are to accommodate widebody aircraft and of which at least two are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as are approved by the Port Authority. The other Reletting Rights Effective Date Conditions are requirements that must be complied with to verify that the Required Conditions have been satisfied. The Port Authority Lease contains specific procedures (including procedures relating to the Port Authority's right to audit costs of work on the Project) as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*" that must be strictly complied with to satisfy the Reletting Rights Effective Date Conditions.

The Company currently estimates that the substantial completion of the Project will occur in August 2006 and that the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether the Company has satisfied the Required Condition that the Company incur not less than $850,000,000 in qualified costs in connection with construction of the Leased Facilities).

There can be no assurance that the Reletting Rights Effective Date Conditions will ever be satisfied. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "— Certain Considerations under the United States Bankruptcy Code" for a discussion of certain risks related to the delayed execution and recording of the Leasehold Mortgage.

Under the Port Authority Lease, the Company is incentivized to complete the Project in a timely manner as a result of certain provisions that provide for abatements of rent as certain criteria are met. Building rent is abated until December 22, 2010 as follows: (i) one-third of such building rent is abated from (x) the later of December 22, 2002 and the first day of the month after the month in which the Company has incurred at least $283,333,050 of qualifying costs for Redevelopment Work to (y) the later of December 21, 2004 and the last day of the month during which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work and (ii) two-thirds of such building rent is abated from (x) the later of December 22, 2004 and the first day of the month after the month in which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work to (y) the earlier of the first day of the month after which the Required Conditions have been satisfied and December 21, 2010. The abatements under item (i) above would amount to approximately $7 million per year and under item (ii) above would amount to approximately $14 million per year. All building rent is abated from the first day of the month after the month in which the Company satisfies the Required Conditions until the earlier of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date. Such rent abatements would total approximately $22 million per year. In addition, the Port Authority Lease provides that if the Required Conditions have not occurred prior to December 30, 2015, the Port Authority Lease will automatically terminate notwithstanding any prior extension of the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent."

Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date. In the IDA Lease Agreement, the Company will agree that, following the Redevelopment Work Completion Date, it will comply with the procedural provisions of the Port Authority Lease governing the execution, delivery and recording of the Leasehold Mortgage. Such provisions, which are described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions,*" are referred to herein as the "*Section 92(d) Provisions.*" Any failure of the Company to comply with the Section 92(d) Provisions or any Wrongful Recording of the Leasehold Mortgage would constitute a breach of the IDA Lease Agreement unless such breach is cured as provided in the IDA Lease Agreement and, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived, in writing, by the Port Authority. Even if such a breach could be so cured, the Port Authority will have sole discretion as to whether it will waive any Wrongful Recording of the Leasehold Mortgage and accept such a cure.

In the IDA Lease Agreement, the Company and the Agency will agree, in accordance with the Section 92(d) Provisions, to execute and deliver the Leasehold Mortgage to the Trustee within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions.

Simultaneously with such delivery, the Company will be required to deliver to the Trustee an opinion of counsel reasonably satisfactory to the Trustee as to the validity and enforceability of the Leasehold Mortgage. The IDA Lease Agreement will provide that the Company shall direct the Trustee to record the Leasehold Mortgage in the appropriate recording office of the City. **Delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."**

If the Company were to wrongfully execute, deliver or record the Leasehold Mortgage prior to the fulfillment of all Reletting Rights Effective Date Conditions, such action would constitute a material breach of the Port Authority Lease and an event of default thereunder (which the Leasehold Mortgagee would have no right to cure) permitting the Port Authority to terminate the Port Authority Lease, which termination (i) could result in an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the Series 2002 Bonds in whole. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies of Bondholders" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."

Foreclosure of Leasehold Mortgage. Upon the occurrence and continuation of a Leasehold Mortgage Default as described below, the Leasehold Mortgagee, acting on behalf of the Bondholders, may foreclose upon the Leasehold Mortgage by seeking to (a) exclude the Company from possession of the Premises, if necessary, and (b) have the Company's leasehold interest in the Premises assigned to a successor tenant (a *"Qualifying Replacement Tenant"*) that satisfies the conditions set forth below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards*." The Qualifying Replacement Tenant also would be required to meet the other conditions described below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards,*" including the payment of a "deferred reletting fee" to the Port Authority.

The "events of default" under the Leasehold Mortgage (each a *"Leasehold Mortgage Default"*) include the occurrence, after the satisfaction of the Reletting Rights Effective Date Conditions, of:

(a) the Leasehold Mortgagee's receipt of a notice from the Port Authority to the effect that the Company is in default under the Port Authority Lease and that the Port Authority has elected to terminate the Port Authority Lease pursuant to its terms (a *"Lease Default"*);

(b) (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal,

purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture; *provided, however,* if any of the foregoing arises out of an act or omission of the Trustee, despite the payment of any such amounts to the Trustee, then such Event of Default would not be a Leasehold Mortgage Default as described in this paragraph (b) (a *"Bonds Default"*); or

(c) the later of (i) the date of rejection of the Port Authority Lease pursuant to the order of a bankruptcy court, and (ii) the date of such an order of a bankruptcy court if it triggers a period during which the Trustee must decide whether to exercise its reletting rights (a *"Bankruptcy Rejection Date"*).

Conditions Precedent to Foreclosure. The Port Authority may not terminate the Port Authority Lease so long as the Company's interest in the Premises is encumbered by the Leasehold Mortgage without giving notice and, in most cases, without giving the Leasehold Mortgagee the opportunity to cure as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." To preserve the effectiveness of the Leasehold Mortgage following any Leasehold Mortgage Default, the Leasehold Mortgagee must satisfy certain requirements. As discussed below, such requirements include obligations to commence foreclosure actions in specified periods, to identify a proposed Qualifying Replacement Tenant in specified periods, to pay substantial foreclosure extension fees (if required and if certain conditions are satisfied) and to pay deferred reletting fees. **If any of these requirements are not satisfied or complied with by the Leasehold Mortgagee in a timely manner, the Port Authority Lease and the Leasehold Mortgage will terminate and the Leasehold Mortgagee will be forever precluded from foreclosing upon the Leasehold Mortgage. Upon such termination of the Port Authority Lease (which would result in a termination of the Company Sublease) all of the Bonds are required to be redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest, and without premium.**

1. *Notice.* Within 30 days (which period can be extended to a total of 90 days) after a Leasehold Mortgage Default, the Leasehold Mortgagee must give notice to the Port Authority of its intent to exercise its Reletting Rights (the *"Foreclosure Notice"*). The date of actual service on the Port Authority of the Foreclosure Notice starts the Foreclosure Period (as defined below).

2. *Foreclosure Proceedings and Removal of the Company.* The Leasehold Mortgagee must identify to the Port Authority a Qualifying Replacement Tenant to assume from the Company its leasehold interest in the Premises within 270 days following the commencement of the Foreclosure Period (the *"Initial Foreclosure Period"*). The Qualifying Replacement Tenant must satisfy the requirements described below under *"—Obligations of Qualifying Replacement Tenant; Qualification Standards."* If the Company does not agree voluntarily to assign its leasehold interest in the Premises to a Qualifying Replacement Tenant or if the Company fails to vacate the Premises, the Leasehold Mortgagee must promptly, diligently and in good faith commence, continue and seek to complete foreclosure proceedings within the first 90 days of the Initial Foreclosure Period and diligently pursue such proceedings to secure (a) the Company's removal from the Premises, if necessary, and (b) the assignment of the Company's leasehold

interest in the Premises to a Qualifying Replacement Tenant. The Initial Foreclosure Period may be extended for up to an additional 450 days (*i.e.*, to a total of 720 days) if the Leasehold Mortgagee has secured the commitment of a Qualifying Replacement Tenant prior to the expiration of the Initial Foreclosure Period and if pending legal foreclosure proceedings are the sole obstacle then preventing a Qualifying Replacement Tenant from taking possession of the Premises (the Initial Foreclosure Period, with any extensions, is hereafter referred to as the *"Foreclosure Period"*). For a more complete description, see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Foreclosure Obligations" and "—Extensions of Foreclosure Period.*"

If the Company's leasehold interest in the Premises has not been assigned to, and assumed by, a Qualifying Replacement Tenant by the end of the Foreclosure Period, the Leasehold Mortgage will be deemed expired and terminated and of no further force or effect. **No assurance can be given that the Leasehold Mortgagee will have sufficient time to complete any necessary foreclosure proceedings during the Foreclosure Period. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Foreclosure Period Payments.* Except as described below under "*—Certain Bankruptcy Matters,*" to preserve the effectiveness of the Leasehold Mortgage upon the commencement of and during the continuation of the Foreclosure Period, the Leasehold Mortgagee must make certain ongoing payments to the Port Authority pursuant to the Port Authority Lease (referred to collectively as the *"Company's Aggregate Port Authority Lease Obligations"*), as follows:

(a) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing to the Port Authority under the Port Authority Lease (in the case of the initial payment, to the extent such amounts have accrued for any and all periods up to the commencement of the Foreclosure Period (which is the date the Foreclosure Notice is actually served on the Port Authority)), including, without limitation, various ground and building rentals and fees, costs and charges for various services and uses.

(b) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing by the Company to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees (in the case of the initial payment, to the extent such amounts have accrued for a period of 60 days up to the commencement of the Foreclosure Period).

In addition to its initial and monthly obligation to pay all current Company's Aggregate Port Authority Lease Obligations, the Leasehold Mortgagee must pay certain additional fees to the Port Authority in order to preserve the effectiveness of the Leasehold Mortgage beyond 180 days from the commencement of the Foreclosure Period (*"Leasehold Mortgage Extension Fees"*). Such fees are not payable during any period when the initial commencement of the Foreclosure Period was due to a Bonds Default and no other Leasehold Mortgage Default has

occurred. The following table summarizes the scope of the payments that the Leasehold Mortgagee could be required to make to the Port Authority during the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage:

PAYMENT PERIOD	PAYMENT OBLIGATION
Commencement of Foreclosure Period (*i.e.* delivery of Foreclosure Notice)	Accrued but unpaid Company's Aggregate Port Authority Lease Obligations.
0-90 days of Foreclosure Period	Current Company's Aggregate Port Authority Lease Obligations.
91-180 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued)	Current Company's Aggregate Port Authority Lease Obligations.
181-270 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
271-360 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
361-540 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $32,361,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
541-720 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $48,541,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.

In 2001 the average monthly Company's Aggregate Port Authority Lease Obligations were approximately $5.4 million. Pursuant to the Indenture, a Foreclosure Payment Account will be established within the Mortgage Reserve Fund for use by the Leasehold Mortgagee to preserve the rights of the Leasehold Mortgagee under the Port Authority Lease, including making payments to prevent a default under the Port Authority Lease with respect to payments required to preserve the Leasehold Mortgage or, if applicable, the New City/American Lease. Under the IDA Lease Agreement, at the time the Company delivers the executed Leasehold Mortgage to the Trustee following satisfaction of the Reletting Rights Effective Date Conditions, the Company is obligated to deposit into the Foreclosure Payment Account of the Mortgage Reserve Fund either cash or a direct pay letter of credit or surety bond with a value equal to $18.6 million. Such amount is estimated to be equal to three months of the Company's Aggregate Port Authority Lease Obligations in 2006, based on various assumptions. Amounts required to be paid by the Company under the Port Authority Lease may be highly variable and are expected to increase over time, and after the earlier to occur of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date, the rent payable by the Company under the Port Authority Lease will increase significantly. **Accordingly, no assurance can be given that the Foreclosure Payment Account will provide sufficient funds in any year to cover all or any portion of the payments required to be made at the commencement of the Foreclosure Period or during any other part of the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage.** See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage." If the Trustee determines that it is in the best interest of the Bondholders or is directed by the holders of a majority in aggregate principal amount of outstanding Bonds, the Foreclosure Payment Account of the Mortgage Reserve Fund may instead be used to pay debt service on the Bonds following a Leasehold Mortgage Default, in which case the Leasehold Mortgage would terminate. **The Leasehold Mortgage will terminate if the Leasehold Mortgagee fails to make any of the above payments in a timely manner.**

4. *Right of Port Authority to Terminate the Leasehold Mortgage Prior to Foreclosure.* The Leasehold Mortgagee shall not be entitled to foreclose the Leasehold Mortgage or to have the Company's interest assigned in lieu of such foreclosure unless at least 30 days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee shall have given the Port Authority the Foreclosure Notice, which notice shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority has the right, but not the obligation, following notice by the Leasehold Mortgagee as described in the preceding sentence, to terminate the Leasehold Mortgage by paying to the Trustee an amount equal to the principal amount of the Bonds outstanding, including per diem interest to the date of purchase. Exercise of such right by the Port Authority would cause a mandatory redemption of the Series 2002 Bonds at a redemption price of 100% of the unpaid principal thereof, together with accrued interest to the date of redemption and without premium. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." If the Port Authority shall fail to notify the

Leasehold Mortgagee within the 30-day period specified in the notice of its intention to exercise such right, the Leasehold Mortgagee shall be entitled to proceed to foreclose the Leasehold Mortgage or to accept an assignment in lieu of foreclosure in accordance with the provisions of the Port Authority Lease. Bondholders should not assume that the Port Authority will exercise this option.

Certain Bankruptcy Matters. If any bankruptcy proceedings involving the Company are instituted while the Leasehold Mortgage remains in effect, the obligations of the Leasehold Mortgagee to take the actions (including making certain required payments) described above under "*—Conditions Precedent to Foreclosure*" in order to preserve the Leasehold Mortgagee's rights to foreclose upon the Company's interest in the Premises will be suspended until the earlier to occur of (a) the "rejection" of the Port Authority Lease by the Company as debtor-in-possession or by its bankruptcy trustee or (b) the conclusion of such bankruptcy proceedings. During the pendency of any bankruptcy proceedings, the Leasehold Mortgagee would be precluded from foreclosing upon the Company's leasehold interest in the Premises absent relief from the bankruptcy court. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

1. *Rejection of Port Authority Lease.* In the event that the Port Authority Lease is "rejected" by the Company as debtor-in-possession or by its bankruptcy trustee, the Port Authority has agreed that the Leasehold Mortgagee will become the "deemed lessee" of the Premises following the later of the date of the bankruptcy court's approval of the rejection of the Port Authority Lease and the effective date of the rejection of the Port Authority Lease (the *"rejection date"*). To preserve such right, however, the Leasehold Mortgagee would be required to (a) provide the Foreclosure Notice to the Port Authority (as described above under "*—Notice*") and pay to the Port Authority all current and previously accrued Company's Aggregate Port Authority Lease Obligations, in each case as they become due under the Port Authority Lease from and after the rejection date, and (b) institute appropriate legal proceedings in the bankruptcy court, if necessary, to remove the Company from the Premises.

2. *Assignment of Port Authority Lease.* If the Port Authority Lease is not "rejected" and is assigned to another entity or person by the Company as debtor-in-possession or by its bankruptcy trustee, and assuming the Leasehold Mortgage remains unaltered and in full force and effect in connection therewith, upon any then-current or subsequent Lease Default (involving such assignee of the Port Authority Lease) or Bonds Default, the Leasehold Mortgagee would again be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the assignee's interest in the Premises.

3. *Conclusion of Proceedings.* Following the Company's emergence from any bankruptcy proceedings, and if the Port Authority Lease was not "rejected" or assigned to another person or entity during the bankruptcy proceedings, the Leasehold Mortgagee would be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the Company's interest in the Premises on account of any then-current or subsequent Lease Default or Bonds Default involving the Company.

Obligations of Qualifying Replacement Tenant; Qualification Standards. The following requirements and obligations are applicable to any Qualifying Replacement Tenant selected by the Leasehold Mortgagee and approved by the Port Authority to succeed to the Company's interest in the Premises upon the Leasehold Mortgagee's foreclosure under the Leasehold Mortgage:

1. *Assignment and Assumption Agreement.* The Qualifying Replacement Tenant must execute an assignment and assumption agreement with the Port Authority agreeing to be bound by the terms of the Port Authority Lease as if it were the original tenant thereunder, except that the Qualifying Replacement Tenant may (with the Leasehold Mortgagee's approval) agree to lease the Premises for a term that is less than the remaining term of the Port Authority Lease.

2. *Payment of Accrued Company Obligations and Deferred Reletting Fee.* Upon or prior to accepting the assignment and assumption of the Company's interest in the Premises, the Qualifying Replacement Tenant (or the Leasehold Mortgagee) must also pay to the Port Authority:

(a) all accrued Company's Aggregate Port Authority Lease Obligations previously owed and unpaid by the Leasehold Mortgagee pursuant to the Leasehold Mortgage, together with accrued interest thereon at the Port Authority's then-prevailing late charges rate; and

(b) a "Deferred Reletting Fee" equal to the product of (1) the Mortgage Amount multiplied by (2) 2% if the default under the Leasehold Mortgage that gave rise to the assignment is a Bonds Default, 3% if the default that gave rise to the assignment is a Lease Default or a Bankruptcy Rejection Date or 4% if there were both (x) a Bonds Default and (y) a Lease Default or a Bankruptcy Rejection Date, further multiplied by (3) a fraction, the numerator of which is the greater of five and the number of full years remaining in the lease term of the Port Authority Lease on the date that the Foreclosure Period commenced, and the denominator of which is the total number of years between December 22, 2000 and the earlier of the day preceding the 30th anniversary of the Redevelopment Work Completion Date or December 21, 2036, which deferred reletting fee may be paid upon the commencement of the reletting or in installments. **The amount of the Deferred Reletting Fee will be significant and may, since it must be paid by the Qualifying Replacement Tenant (or the Bondholders), be a significant impediment to the attraction of a Qualifying Replacement Tenant. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Qualification Standards.* The acceptance of any proposed replacement tenant is subject to approval of the Port Authority and such proposed replacement tenant must be a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the

consortium's obligations under the Port Authority Lease, and who shall each meet all of the requirements described below. The Port Authority will reasonably consider all relevant factors, including whether such proposed replacement tenant, together with each of its members if it is a consortium, satisfies the following conditions: (a) it has financial resources that are sufficient, in the opinion of the Port Authority, to fulfill all obligations as the lessee of the Premises for the term of its tenancy, (b) it and its 20% owners have a good reputation for integrity and financial responsibility and have not been convicted of a crime and are not currently involved in material civil antitrust or fraud litigation (other than as a plaintiff), (c) it and all of its officers, directors, partners or 20% owners have had no prior "*unfavorable experience*" (as defined in the Port Authority Lease) with the Port Authority, (d) it and all of its officers, directors, partners or 20% owners have no "*conflict of interest*" (as defined under the laws of the States of New York and New Jersey or Port Authority policy) with any commissioner of the Port Authority, and (e) it and all of its officers, directors, partners or 20% owners have not been the subject of bankruptcy proceedings during the prior five years. A "20% owner" refers to any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the proposed Qualifying Replacement Tenant, and if said Qualifying Replacement Tenant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest.

The Agreement Towards Entering Into a Lease provides that under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into a new agreement with a City Approved Successor Lessee that contains all of the covenants, conditions, limitations and agreements contained in the Agreement Towards Entering Into a Lease (including, without limitation, the obligation to enter into a new Recognition, Non-Disturbance and Attornment Agreement) (with such reasonable modifications thereof to reflect the fact that such agreements are with a successor lessee and that the Leasehold Mortgagee no longer has any rights). See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. Upon any reletting of the Premises to a Qualifying Replacement Tenant without the consent of the City, the City may, at its option, terminate the Agreement Towards Entering Into a Lease.

There can be no assurance that the Leasehold Mortgagee will be able to locate a Qualifying Replacement Tenant capable of satisfying all of the requirements and qualification standards imposed by the Port Authority Lease. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" herein.

No Subsequent Leasehold Mortgages. After a successor lessee succeeds to the Company's interests in the Premises as a result of the Leasehold Mortgagee's exercise of its Reletting Rights under the Leasehold Mortgage, the Leasehold Mortgage terminates and neither the Leasehold Mortgagee nor Bondholders would have any further leasehold mortgage rights with respect to the Premises.

Termination of the Leasehold Mortgage. The Leasehold Mortgage, and the Reletting Rights thereunder, are subject to termination upon the occurrence of any one of several events, including, without limitation, termination or expiration of the Basic Lease or the Port Authority Lease, termination of the Guaranties (when no Bonds are deemed to be outstanding under the Indenture) or expiration of the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." However, the City Attornment Agreement will provide that, subject to certain conditions described below, the Leasehold Mortgage, if it has then become effective, will continue in effect in the event the Basic Lease is terminated prior to its scheduled expiration date.

Equipment Security Agreement

The Company and the Agency will enter into the Equipment Security Agreement with the Trustee for the benefit of the Bondholders providing for the granting of a security interest in certain items of Facility Equipment which are owned by the Agency and leased to the Company under the IDA Lease Agreement (the *"Collateral"*).

Pursuant to the terms of the Equipment Security Agreement, the Trustee, as secured party, may, upon the occurrence of an Event of Default under the Indenture, do one or more of the following:

(i) upon notice to the Company and the Agency, make such payments and do such acts in accordance with its obligations under the Indenture, to maintain, preserve and protect the Collateral and the Trustee's security interest in the Collateral;

(ii) foreclose the Equipment Security Agreement;

(iii) require the Company to assemble all or part of the Collateral as directed by the Trustee and make it available to the Trustee or any other party designated by the Trustee;

(iv) take possession of the Collateral;

(v) sell the Collateral or any part thereof at public or private sale, at such price or prices and upon such other terms as the Trustee may deem commercially reasonable and, at any sale of the Collateral, if permitted by law, the Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof; and

(vi) exercise with respect to the Collateral, in addition to other rights and remedies provided for in the Equipment Security Agreement or otherwise available to the Trustee, all the rights and remedies of a secured party after default under the Uniform Commercial Code.

Proceeds from the exercise of remedies under the Equipment Security Agreement will be applied in accordance with the Indenture. The value of the Collateral is substantially related to

. its use in connection with the Company's operation of the Premises. The realizable value of the Collateral outside of its use in the Premises will likely be substantially less than its cost.

City Attornment Agreement

In the City Attornment Agreement, the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date and if (i) the Company is not at such time a Prohibited Person, (ii) the Company is not in default under the Port Authority Lease and no event exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iii) the Company has possession of the Premises as the tenant under the Port Authority Lease, (iv) no event has occurred which would permit the commencement of the exercise of the Reletting Rights, (v) no Qualifying Replacement Tenant has been appointed and (vi) no Triggering Event has occurred, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the Fee Owner upon the terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the Fee Owner will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a leasehold mortgage therein) and (C) the Company will recognize the Fee Owner as its direct landlord thereunder. In such event, the Leasehold Mortgage, if it has then become effective, would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement."

The Agreement Towards Entering Into a Lease

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." An official statement dated June 26, 2002 of the Port Authority offering certain of its bonds for sale contained the following statement relating to the Basic Lease: "In 1994, the former administration of the City of New York suspended negotiations to extend the term of such lease. In early 2002, the Port Authority and the City of New York began to discuss various contractual and other matters, including the extension of the term of such lease agreement, and certain disputes pertaining to payments-in-lieu-of-taxes and other real estate tax matters pertaining to the World Trade Center... . Although a definitive schedule for the resolution of these matters has not been established, the current administration of the City of New York has publicly expressed a desire to amicably complete these discussions expeditiously." None of the Company, AMR or the Agency has any independent knowledge as to the factual basis of this statement or whether it accurately reflects the state of affairs between the City and the Port Authority as of the date of this Official Statement.

Pursuant to the Agreement Towards Entering Into a Lease, the City will agree that, if the Basic Lease is not extended to or beyond the Maximum Port Authority Lease Expiration Date,

upon expiration of the Basic Lease, the City will enter into the New City/American Lease with the Company for the lease of the Premises, provided certain conditions are met as described below. The Agreement Towards Entering Into a Lease constitutes an agreement to enter into a lease at a future point in time, but is not itself a lease of the Premises. The Agreement Towards Entering Into a Lease provides that the New City/American Lease shall contain certain terms and conditions as set forth in the Agreement Towards Entering Into a Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease*" for a summary of such terms and conditions. Pursuant to the Agreement Towards Entering Into a Lease, the City or its designee has the option of including in the New City/American Lease more particular and additional terms and conditions that the City deems appropriate in good faith. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

The Agreement Towards Entering Into a Lease will provide that the term of the New City/American Lease shall commence on the day first following the day after the expiration, but not the earlier termination, of the Company's interest under the Port Authority Lease, and shall expire on the earlier to occur of (i) the day immediately preceding the 30th anniversary of the Redevelopment Work Completion Date and (ii) December 21, 2036. See "RISK FACTORS—Leasehold Term."

Provided that the Basic Lease has not been extended to or beyond the Maximum Port Authority Lease Expiration Date, the Agreement Towards Entering Into a Lease will require the Company and the City to execute the New City/American Lease on or before December 31, 2014. If the Basic Lease has been extended or renewed, or a new lease between the City and the Port Authority covering the Airport has been executed, the Agreement Towards Entering Into a Lease will provide that the Company and the City shall execute the New City/American Lease by the date that is 12 months prior to the stated expiration date of the extended or renewed Basic Lease or such new lease. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Term."

There are certain conditions precedent to the City's obligations under the Agreement Towards Entering Into a Lease to enter into the New City/American Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent*" for a summary of such conditions precedent. As of the date of this Official Statement, the Company has no reason to believe that it will not be in compliance with any condition precedent to the City's obligations under the Agreement Towards Entering Into a Lease (other than the extension of the Basic Lease). See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Term."

The City may terminate the Agreement Towards Entering Into a Lease if certain events occur. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of

Certain Provisions of the Agreement Towards Entering Into a Lease—*Remedies; Termination by the City*" for a summary of such events. As of the date of this Official Statement, the Company has no reason to believe that any default under the Agreement Towards Entering Into a Lease has occurred, or that any condition exists, or with the giving of notice and/or passage of time would exist, to give rise to the termination of the Agreement Towards Entering Into a Lease.

The Agreement Towards Entering Into a Lease also will provide that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the obligations of the Company under the Agreement Towards Entering Into a Lease. If the Agreement Towards Entering Into a Lease is terminated by reason of an event of default thereunder or otherwise (except by reason of a failure of the City and/or the Company to negotiate, execute or deliver the New City/American Lease), the City will give prompt notice thereof to the Trustee, as Leasehold Mortgagee. If such default is capable of cure by the Trustee, as Leasehold Mortgagee without possession of the Premises, such termination will not be effective until 30 days after delivery of such notice to the Trustee, and, if the Trustee, as Leasehold Mortgagee, notifies the City in writing within such 30 day period that it intends to cure such default or cause such default to be cured, then the Agreement Towards Entering Into a Lease will not terminate and the Trustee will have 60 days to cure or cause the cure of such default from the date it delivers the latter notice to the City. If such default is not cured within such 60 day period afforded to the Trustee, then the City may terminate the Agreement Towards Entering Into a Lease upon written notice to the Trustee and upon such delivery of such notice the Agreement Towards Entering Into a Lease will terminate.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into a new agreement with a City Approved Successor Lessee that contains all of the covenants, conditions, limitations and agreements contained in the Agreement Towards Entering Into a Lease (including, without limitation, the obligation to enter into a new Recognition, Non-Disturbance and Attornment Agreement) (with such reasonable modifications thereof to reflect the fact that such agreements are with a successor lessee and that the Leasehold Mortgagee no longer has any rights). See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage shall have become effective, the Leasehold Mortgagee will not have any rights to cure any defaults.**

New Leasehold Mortgage Upon Expiration of the Basic Lease

The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, *provided* that certain conditions are satisfied. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering

Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can obtain from the City only the right to grant to the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it executes and delivers such a leasehold mortgage to the Trustee. **See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms," "—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" and "—Certain Considerations under the United States Bankruptcy Code."**

Company Sublease; The Lease Term Differential

Term of Company Sublease. Under the Act, the Agency must have a leasehold interest in the facilities financed with the proceeds of its bonds. To accomplish this the Company and the Agency will enter into the Company Sublease pursuant to which the Company will sub-sublease to the Agency the Leased Facilities. Upon a termination of the Company Sublease, the Series 2002 Bonds and all Additional Bonds outstanding under the Indenture will be subject to mandatory redemption at a redemption price equal to 100% of the unpaid principal amount of the Bonds outstanding, together with accrued interest to the date of redemption, and without premium. The term of the Company Sublease shall terminate on the earliest of:

(i) the expiration or earlier termination of the IDA Lease Agreement;

(ii) the earlier of (x) two days immediately preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date and (y) December 20, 2036;

(iii) the date on which no Bonds are "Outstanding" under the Indenture;

(iv) the termination of the Basic Lease, *provided* that the Company Sublease shall not terminate on the termination of the Basic Lease if the New City/American Lease is effective upon the termination of the Basic Lease or if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City;

(v) the termination of the Port Authority Lease prior to its expiration, *provided* that the Company Sublease shall not terminate on the termination of the Port Authority Lease if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City or the Port Authority Lease is deemed terminated in connection with a Triggering Event; or

(vi) except under certain limited circumstances, the termination of the New City/American Lease (or such other leases as set forth in the Company Sublease pursuant to which the Company may be leasing the Premises at that time) or one day prior to its scheduled expiration subsequent to the expiration of the Port Authority Lease without extension or renewal.

The Company Sublease specifically provides that any assignment of the Company's rights thereunder or substitution of the Company under the Company Sublease in accordance with the provisions of the Security Documents shall not result in the termination of the Company Sublease.

Lease Term Differential. The Port Authority Lease provides that its term shall expire on December 30, 2015, which is one day earlier than the expiration date of the Basic Lease, and each of the Company Sublease and the IDA Lease Agreement expires one day earlier than the lease from which it derives. Consistent with the foregoing, the term of any New City/American Lease shall not commence (if ever) until after the expiration, but not earlier termination, of the Port Authority Lease. Therefore, there could be a gap in the Company's legal possession of the Premises. In addition, if the Port Authority Lease is extended, there will continue to be a gap between the expiration of the Port Authority Lease and the commencement of the New City American Lease. With respect to this gap between the Company's right of possession under the Port Authority Lease and the Company's right of possession under the New City/American Lease, the Port Authority has agreed pursuant to the Port Authority Lease not to commence any action against the Company seeking possession of the Premises or dispossession of the Company from the Premises unless the Port Authority is required to do so by contract, lease, law, court order or otherwise, so long as it has not given a notice of termination in accordance with the terms of the Port Authority Lease.

Pursuant to the Company Sublease, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of such a gap in the Company's legal possession of the Premises as described in the immediately preceding paragraph. **However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement. See "RISK FACTORS—Leasehold Term."** Upon such a termination (if the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated), the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding together with accrued interest thereon to the redemption date, and without premium.

RISK FACTORS

In determining whether to purchase the Series 2002 Bonds, each potential purchaser of the Series 2002 Bonds should carefully consider, among other matters, the following risk factors, along with all other information described elsewhere or incorporated by reference in this Official Statement. The following discussion is not meant to be an exhaustive list of all of the risks associated with a purchase of the Series 2002 Bonds and does not necessarily reflect the relative importance of the various risks.

Company and AMR Financial Condition

Payment of the Series 2002 Bonds and any Additional Bonds is dependent upon the ability of the Company to make all required payments under the IDA Lease Agreement and the Company Guaranty and the ability of AMR to make all required payments under the AMR Guaranty. See APPENDIX A—"AMERICAN AIRLINES, INC. AND AMR CORPORATION" for information concerning the Company and AMR.

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISION OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Special Risk Factors Related to the Company and AMR

On September 11, 2001, two of the Company's aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft also were hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (the *"FAA"*) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan National Airport, which has since fully reopened). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the *"Stabilization Act"*) which for all United States airlines and air cargo carriers (*"air carriers"*) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the terrorist attacks on the United States, of which the Company and TWA LLC had received approximately

$791 million as of June 28, 2002 and expect to receive additional payments in 2002 of approximately $41.6 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expired 180 days after the enactment of the Stabilization Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Stabilization Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether for compensatory or punitive damages, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed liability coverage maintained by the air carrier.

In November 2001, the Aviation and Transportation Security Act (the *"Aviation Security Act"*) was enacted. The Aviation Security Act imposes additional security requirements on air carriers that may require the installation by the Company of additional equipment at the Airport and at other U.S. airports. The cost of any such additional equipment and whether any remodeling of the Project or facilities at other U.S. airports will be required in connection therewith is not known by the Company at this time. The Company will, however, comply with any such requirements imposed by the Aviation Security Act.

Among the effects experienced by the Company from the September 11, 2001 terrorist attacks have been significant flight disruption costs caused by the FAA's imposed grounding of the U.S. airline industry's fleet, significantly increased security and other costs, significantly higher ticket refunds, significantly reduced load factors and significantly reduced yields. The occurrence of another terrorist attack (whether domestic or international and whether against the Company or another entity) could again have a material adverse impact on the Company, its finances and/or its operations.

The impact of the events of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in

light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Stabilization Act, taking into account any challenges to and interpretations or amendments of the Stabilization Act or regulations issued pursuant thereto.

Because the Company is the principal subsidiary of AMR, all of the above risks are applicable to AMR as well.

Risk Factors Related to the Airline Industry

The airline industry, in general, is cyclical and characterized by high sensitivity to general economic trends, intense competition among air carriers and significant fuel, labor, equipment, regulatory and other costs. The profitability of the industry has fluctuated dramatically since its deregulation in 1978. Additionally, since 1985, a series of airline mergers, takeovers, asset transfers and bankruptcies have resulted, and may continue to result, in a consolidation of the industry. See APPENDIX J—"GATE DEMAND STUDY."

Leasehold Term

Although the Port Authority has, subject to certain conditions, agreed to extend the term of the Port Authority Lease if the Basic Lease is extended, there can be no assurance that the Port Authority will be able to secure an extension of the term of the Basic Lease beyond its scheduled expiration date of December 31, 2015, or that the Company will be able to fulfill all conditions precedent to any extension of the Port Authority Lease if the Port Authority is able to extend the Basic Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." In addition, the Port Authority may include additional terms and provisions in any amendments or supplements to the Port Authority Lease in order to pass through to the Company any additional or substitute terms and conditions contained in any extension of the Basic Lease. It is impossible to predict at this time what those terms might be.

If the Basic Lease (and thus the Port Authority Lease) is not extended, there can be no assurance that all conditions precedent to the delivery and execution of the New City/American Lease will be fulfilled. See "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" below for further discussion.

If the Port Authority Lease is not extended and all conditions precedent to the delivery and execution of the New City/American Lease are not met, the Company will not hold a leasehold interest in the Premises beyond December 30, 2015. The failure to execute an extension of the Port Authority Lease or to enter into the New City/American Lease would cause a termination of the Company Sublease, which would result in a mandatory redemption of all outstanding Bonds at a redemption price equal to 100% of the principal amount of Series 2002 Bonds and all Additional Bonds outstanding, together with accrued interest to the date of redemption, and without premium. Because the Leasehold Mortgage will have terminated, the obligation of the Company (and of AMR under the AMR Guaranty) to pay the redemption price would be unsecured other than to the extent that the Bonds are secured by the Equipment Security Agreement.

If the Basic Lease is not extended, there can be no assurance that the Port Authority will not continue to assert claims to the use and occupancy of the Airport or assert the right to collect rent from the Company. Should both the City and the Port Authority assert the right to collect rent from the Company at the Airport at such time, the Company is obligated under the Port Authority Lease to continue to pay rent to the Port Authority and the Company is obligated under the Agreement Towards Entering Into a Lease to pay rent to the City.

Pursuant to the Company Sublease and the IDA Lease Agreement, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of the gap in the Company's legal possession of the Premises, as described under "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential." However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement, which agreements may or may not be effectively reinstated upon the commencement of the lease term under the New City/American Lease, if any. In the event the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated, the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding, together with accrued interest to the redemption date, and without premium.

Assignment of the Company's Interest in the Port Authority Lease

The Company is not restricted under either the Company Sublease or the IDA Lease Agreement from assigning the Port Authority Lease to a third party, although such an assignment would require the prior written consent of the Port Authority. However, no such assignment would relieve the Company of its obligations under the IDA Lease Agreement or the Company Guaranty or AMR of its obligations under the AMR Guaranty.

Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the other Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities and to satisfy the other Reletting Rights Effective Date Conditions will result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the Company's and AMR's obligations under the Guaranties will not be secured by any leasehold mortgage of the Company's interest in the Premises and the only source of payment of the Bonds (including the Series 2002 Bonds) will be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting."

The delayed execution and recording of the Leasehold Mortgage will result in the lien on the Company's interest in the Premises being subordinate to any liens on the leasehold interest

recorded prior to the recording of the Leasehold Mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code."

Although the Company currently estimates that the construction of the Leased Facilities will be substantially completed in August 2006, and that the other Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007, prospective investors should consider that completion of the construction of the Leased Facilities by the anticipated completion date could be adversely affected by such factors as (a) estimating errors, (b) design and engineering errors, (c) delays in the award or processing of construction contracts or changes in construction plans, (d) unforeseen site conditions, (e) labor difficulties, (f) adverse weather conditions, (g) contractor defaults and (h) other construction-related delays. The ability of the Company to complete the Leased Facilities depends on the ability of the Company to provide additional funding, either through the issuance of Additional Bonds or from other sources, in an amount that is currently estimated to be approximately $800 million. See "THE PROJECT; PLAN OF FINANCE," and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE." Pursuant to the Port Authority Lease, the Port Authority retains substantial control over the Project. To the extent that the Company must obtain approvals from the Port Authority to complete the Project, the Company may encounter delays and incur additional expenses. There is no assurance that the Port Authority will grant any approval for actions with respect to the Project and any failure or refusal of the Port Authority to grant any such approval could have a negative effect on the Company and the Leased Facilities. If the Project is not substantially completed, the Leasehold Mortgage cannot be executed, delivered or recorded. See "THE PROJECT; PLAN OF FINANCE."

Circumstances under Which the Leasehold Mortgage Can Terminate

The Leasehold Mortgage will terminate automatically upon the occurrence of certain events as set forth in the Port Authority Consent. See APPENDIX G— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." If such events were to occur, the obligations of the Company and of AMR under the Guaranties would cease to be secured by the Leasehold Mortgage.

Termination of the Port Authority Lease

The Port Authority has the right to terminate the Port Authority Lease following the occurrence of certain events set forth therein, subject to the rights of the Leasehold Mortgagee to cure such default, if applicable. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE" for a description of the events that give rise to the Port Authority's right to terminate the Port Authority Lease. In addition, a violation of certain covenants and representations by the Company under the Port Authority Consent would constitute a material breach of the Port Authority Lease, allowing the Port Authority to terminate the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*" and APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage*."

Termination of the Port Authority Lease due to a default by the Company thereunder (i) would be an event of default under the Indenture which could cause an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the Series 2002 Bonds and all Additional Bonds at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. Such a termination of the Port Authority Lease also would result in the loss of the opportunity to enter into the New City/American Lease and, therefore, the loss of the Company's possession of the Premises and its right to use the Terminal.

Upon the occurrence of certain Triggering Events set forth in the Port Authority Lease (which include the failure to make certain payments required under the Port Authority Lease and other agreements with the Port Authority and certain adverse changes to the Company), the Port Authority Lease will be deemed to be a "permitted tenancy" on a month-to-month periodical basis. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority." Such permitted tenancy may continue until the date on which the Port Authority Lease would have expired had such Triggering Events not occurred. After four consecutive calendar quarters have elapsed after a Triggering Event, the Company and the Port Authority will enter into a supplemental lease upon request by either party to the other. There can be no assurance that the terms and provisions of such a supplemental lease would be acceptable to the Company and that the Company would continue to occupy the Premises following such a Triggering Event. **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the leasehold mortgagee to foreclose the new leasehold mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."** Under New York law such a month-to-month tenancy could be terminated by either party, upon 30 days' notice, for any reason.

Upon a conversion to a month-to-month tenancy, the Company's interest in the Premises could be of little or no value and, therefore, the Leasehold Mortgage would offer little or no security for the obligations of the Company or AMR.

The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms

Pursuant to the Agreement Towards Entering Into a Lease, there are certain conditions precedent to the City's obligations to enter into the New City/American Lease. There can be no assurance that such conditions precedent to the execution of the New City/American Lease by the City will be met, or if they are not met, that the City will waive such conditions. If the City and the Company do not enter into the New City/American Lease prior to the expiration, if any, of the Port Authority Lease, the Company's leasehold interest in the Premises will expire, the Company Sublease will terminate and the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. **In such event, if the Company (or AMR under the AMR Guaranty) did not pay the redemption**

price, the Bondholders would have no recourse under the Leasehold Mortgage because the Port Authority Lease would have expired.

The terms of the New City/American Lease may contain terms and conditions substantially different from those in the Port Authority Lease, which terms and conditions may adversely affect the value of the Company's leasehold interest in the Premises. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease.*" **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F —"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."**

The Leasehold Mortgage, by its terms, terminates upon the expiration without renewal of the Basic Lease between the City and the Port Authority. The Basic Lease is currently scheduled to expire on December 31, 2015. The City has agreed in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease at the time the New City/American Lease becomes effective. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

At the time of recording such a new leasehold mortgage, a mortgage recording tax (the *"Recording Tax"*) could be imposed. Currently, the Recording Tax is equal to 2.75% of the principal amount secured by such a leasehold mortgage. The Leasehold Mortgage is exempt from the Recording Tax. There can be no assurance, however, that such an exemption from the Recording Tax would be available at the time of recording of a new leasehold mortgage covering the New City/American Lease. If a Recording Tax were imposed at the time of recording of such a new leasehold mortgage covering the New City/American Lease, the amount of the Recording Tax could be based on the current rate or a higher rate. Such an amount would be substantial and there are no funds reserved for payment of such a Recording Tax. The Company has covenanted to pay the Recording Tax upon recording such a new leasehold mortgage covering the New City/American Lease, but if the Recording Tax is not paid, such a leasehold mortgage would not be recorded and the Company's and AMR's obligations under the Guaranties would not be secured by a leasehold mortgage of the Company's interest in the Premises under the New City/American Lease.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can obtain from the City only the right to grant the Trustee a leasehold mortgage that is substantially

similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it executes and delivers such a leasehold mortgage to the Trustee.

There can be no assurance that any such new leasehold mortgage of the Company's interest in the Premises under the New City/American Lease will have terms similar to the Leasehold Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed.

The Agreement Towards Entering Into a Lease also provides that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the obligations of the Company under the Agreement Towards Entering Into a Lease.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage has become effective, the Leasehold Mortgagee will not have any rights under the Agreement Towards Entering Into a Lease.**

Entering into a new leasehold mortgage could result in the lien on the leasehold interest in the Premises being subordinate to any liens on the leasehold interest recorded prior to the recording of the new leasehold mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code."

Section 1301(2)(1) of the City Charter provides that no lease of airport property, such as the New City/American Lease, may be executed by the Commissioner of Business Services until a public hearing has been held with respect thereto after the publication of notice in the City Record at least thirty days in advance. In order for the City to execute and deliver the New City/American Lease, such a public 1301 hearing must be held.

Insurance Coverage

The Company is obligated under the Port Authority Lease to obtain and keep in force, or cause to be kept in force, certain comprehensive insurance with respect to the Leased Facilities to the extent of the replacement value of such facilities, including business interruption insurance. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Insurance." There is no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which the Company is insured will cover all unanticipated losses.

The Port Authority Lease provides that insurance coverages will be payable to the City. In the event of partial or total loss of the Leased Facilities, the proceeds of casualty insurance may not be sufficient to rebuild the Leased Facilities, or be available for redemption of the Bonds, including the Series 2002 Bonds.

If the Company is unable to rebuild or restore the Leased Facilities, or if it estimates that it will be unable to rebuild or restore the Leased Facilities within the periods required by the Port Authority Lease, the Port Authority Lease could be terminated. There can be no assurance that any business interruption insurance will be sufficient to pay amounts due under the Port Authority Lease and principal of and the interest on the Series 2002 Bonds and any Additional Bonds during the period of rebuilding.

Additional Bonds

The Series 2002 Bonds are being issued to finance a portion of the cost of the Project and the Company currently intends to finance the completion of the Project with the issuance of Additional Bonds (*provided* that the maximum principal amount of Bonds, including the Series 2002 Bonds, cannot exceed $2,300,000,000) under the Indenture which will rank on a parity with the Series 2002 Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds."

The issuance of Additional Bonds would dilute the value of the security relating to the then outstanding Bonds, including the value of the security created under the Leasehold Mortgage, if any, and the Equipment Security Agreement. See "SECURITY FOR THE BONDS." This could result in a reduction in the cash available to make payments of principal of and interest on the Series 2002 Bonds. The issuance of Additional Bonds increases the indebtedness of the Company, which could have a negative impact on the ability of the Company to pay its obligations with respect to the Bonds.

No Mortgage Title Insurance

Upon initial issuance of the Series 2002 Bonds a leasehold title insurance policy for the benefit of the Agency will be obtained in the amount of $1,000,000. No additional title insurance will be obtained in connection with the issuance of any Additional Bonds. No mortgage title insurance will be obtained.

Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage

Upon and during a Leasehold Mortgage Default the Leasehold Mortgagee may seek to foreclose upon the Company's leasehold interest in the Premises under the Port Authority Lease and assign such interest to a Qualifying Replacement Tenant. The sole right of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default is to exclude the Company from possession of the Premises and to

select a Qualifying Replacement Tenant during the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*" See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" for a more detailed discussion of the leasehold mortgage rights granted to the Leasehold Mortgagee. Certain practical and legal considerations, however, could inhibit or materially delay the Leasehold Mortgagee's ability to foreclose upon its interests in the Port Authority Lease or to locate a Qualifying Replacement Tenant for the Premises and could otherwise preclude the receipt of sufficient revenues following a foreclosure to repay all the Bonds.

Effect of Company Bankruptcy. In addition to giving rise to the possibility of avoidance of the Leasehold Mortgage as a preference or a fraudulent conveyance and limited damages against the Company as described below under "—Certain Considerations Under the United States Bankruptcy Code," during a bankruptcy of the Company certain procedural and substantive provisions of the United States Bankruptcy Code could significantly delay or inhibit the Leasehold Mortgagee's ability to cause the Company to initially grant the Leasehold Mortgage or to surrender any or all of the Premises so that the Company's leasehold interest in such Premises could be assigned to a Qualifying Replacement Tenant. In particular, the automatic stay imposed upon a bankruptcy filing would prohibit the future grant of a Leasehold Mortgage upon either the Port Authority Lease or the New City/American Lease absent bankruptcy court approval. In addition, while the Leasehold Mortgage, if it has been executed and recorded, would permit the Bondholders to be treated as secured creditors in a bankruptcy proceeding involving the Company, the automatic stay against foreclosure on the Leasehold Mortgage would mean that the Leasehold Mortgagee would not be able to foreclose on the Leasehold Mortgage and obtain a Qualifying Replacement Tenant for the Premises during the pendency of the bankruptcy proceeding. Since prepetition claims are not typically paid during a bankruptcy, absent special circumstances, such as the granting of adequate protection under Section 361 of the United States Bankruptcy Code, there can be no assurance that the Company will not suspend its payments in respect of the Bonds during the pendency of any bankruptcy proceedings.

Limited Foreclosure Period. If the Company does not consent to the assignment of its rights and obligations with respect to the Premises to a new tenant following a Leasehold Mortgage Default, the Leasehold Mortgagee will have a maximum of 720 days following the delivery by the Leasehold Mortgagee to the Port Authority of the Foreclosure Notice stating the Leasehold Mortgagee's intention to exercise its rights under the Leasehold Mortgage to foreclose upon the Company's interest in the Premises pursuant to the Leasehold Mortgage. Under New York law, the Leasehold Mortgagee must comply with many procedural requirements to foreclose on the Leasehold Mortgage. These include time-consuming filing and notice requirements. In addition, a judgment of foreclosure must be obtained from applicable administrative and/or judicial authorities and acted upon by the local sheriff. It is possible, particularly if the Company or any of its other creditors challenge the foreclosure, that the Leasehold Mortgagee may not be able to foreclose within the up to 720 day time period and, in such event, the Leasehold Mortgagee would lose its right to obtain a Qualifying Replacement Tenant for the Premises.